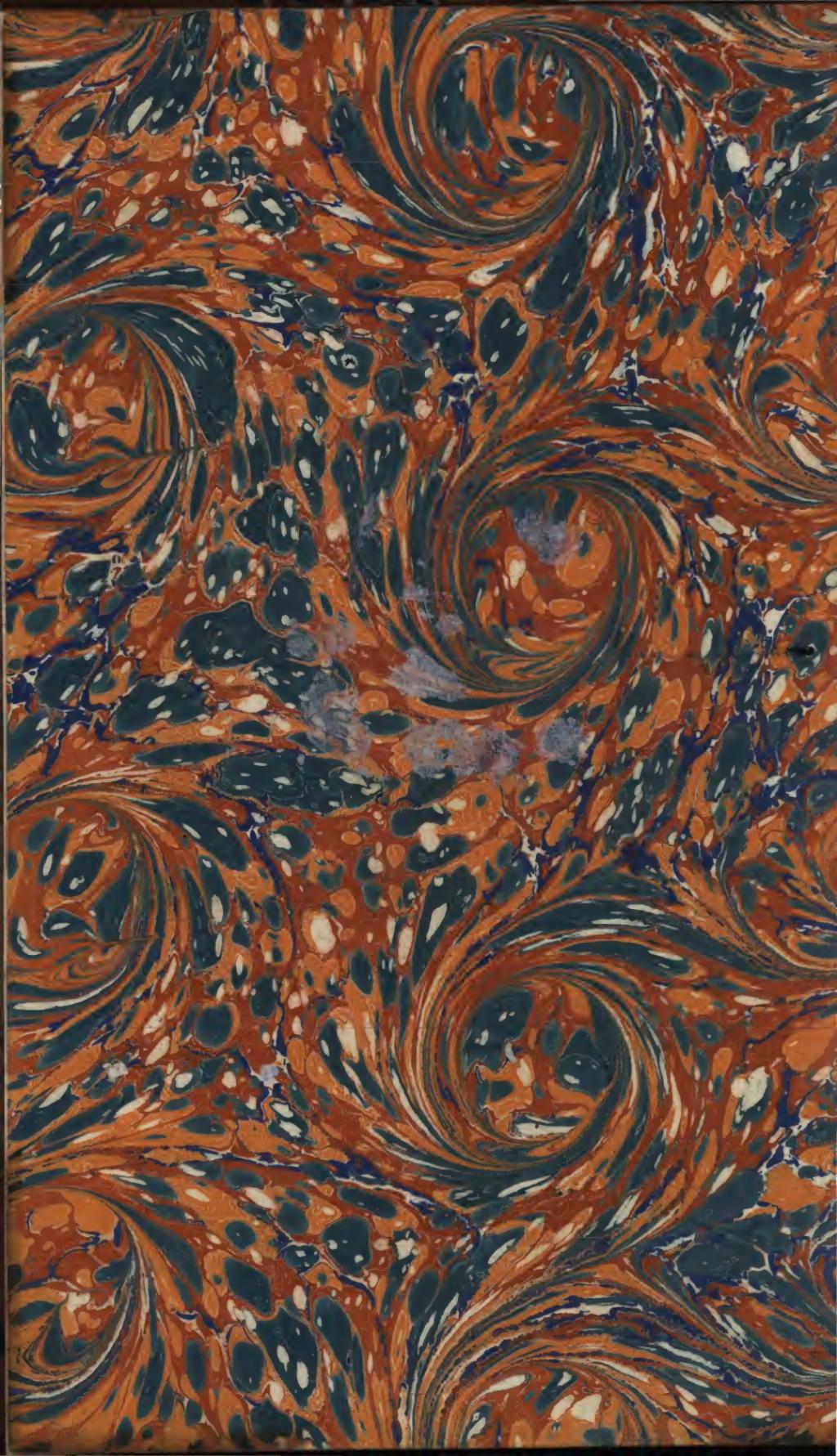
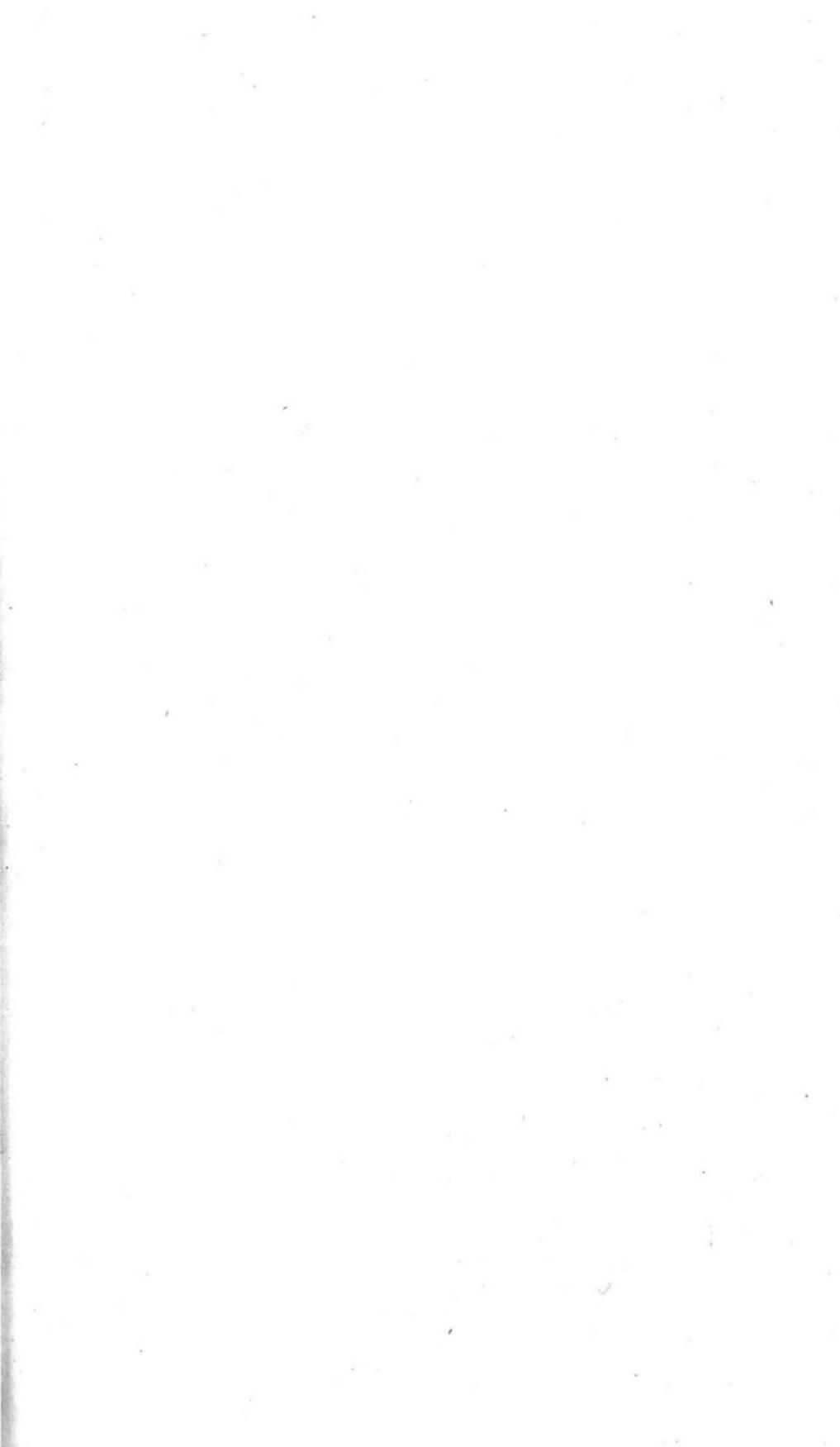




M'CULLOCH  
ON  
POLITICAL  
ECONOMY











HISTORICAL SKETCH  
OF THE  
RISE AND PROGRESS  
OF THE  
SCIENCE  
OF  
POLITICAL ECONOMY.

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RISE AND PROGRESS  
OF  
POLITICAL ECONOMY.

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I. RISE AND PROGRESS OF THE SCIENCE OF POLITICAL ECONOMY UP TO THE PUBLICATION OF THE "WEALTH OF NATIONS."

IF the interest and importance of the subjects of which it treats be any test of the interest and importance of a science, Political Economy will be found to have the strongest possible claims on the public attention. Its object is to point out the means by which the industry of man may be rendered most productive of those necessaries, comforts, and enjoyments, which constitute *wealth*; to ascertain the proportions in which this wealth is divided among the different classes of the community; and the mode in which it may be most advantageously consumed. The intimate connexion of such a science with all the best interests of society is abundantly obvious. There is no other indeed, which comes so directly home to the every-day occupations and business of mankind. The consumption of wealth is indispensable to existence; but the eternal law of Providence has decreed, that wealth can only be procured by industry—that man must earn his bread in the sweat of his brow. This twofold necessity renders the pro-

duction of wealth a constant and principal object of the exertions of the vast majority of the human race ; has subdued the natural aversion of man from labour, given activity to indolence, and armed the patient hand of industry with zeal to undertake, and patience to overcome, the most irksome and disagreeable tasks.

But when wealth is thus necessary—when the desire to acquire it is sufficient to induce us to submit to the greatest privations, the science which teaches the means by which its acquisition may be most effectually promoted—by which we may be enabled to obtain the greatest possible amount of wealth with the least possible difficulty—must certainly deserve to be carefully studied and meditated. There is no class of persons to whom this knowledge can be considered as either extrinsic or superfluous. There are some, doubtless, to whom it may be of more advantage than to others ; but it is of the utmost consequence to all. The prices of all sorts of commodities—the profits of the manufacturer and merchant—the rent of the landlord—the wages of the day-labourer—and the incidence and effect of taxes and regulations, all depend on principles which Political Economy can alone ascertain and elucidate.

Neither is the acquisition of wealth necessary only because it affords the means of subsistence : without it we should never be able to cultivate and improve our higher and nobler faculties. Where wealth has not been amassed, the mind being constantly occupied in providing for the immediate wants of the body, no time is left for its culture ;

and the views, sentiments, and feelings of the people, become alike contracted, selfish, and illiberal. The possession of a decent competence, or the being able to indulge in other pursuits than those which directly tend to satisfy our animal wants and desires, is necessary to soften the selfish passions ; to improve the moral and intellectual character, and to insure any considerable proficiency in liberal studies and pursuits. And hence, the acquisition of wealth is not desirable merely as the means of procuring immediate and direct gratifications, but as being indispensably necessary to the advancement of society in civilization and refinement. Without the tranquillity and leisure afforded by the possession of accumulated wealth, those speculative and elegant studies which expand and enlarge our views, purify our taste, and lift us higher in the scale of being, can never be successfully prosecuted. It is certain, indeed, that the comparative barbarism and refinement of nations depend more on the comparative amount of their wealth than on any other circumstance. It is impossible to name a single nation which has made any distinguished figure either in philosophy or the fine arts, without having been at the same time celebrated for its wealth. The age of Pericles and Phidias was the flourishing age of Grecian, as the age of Petrarch and Raphael was of Italian commerce. The influence of wealth is, in this respect, almost omnipotent. It raised Venice from the bosom of the deep, and made the desert and sandy islands on which she is built, and the unhealthy swamps of Holland, the favoured abodes of literature, of

science, and of art. In our own country its effects have been equally striking. The number and eminence of our philosophers, poets, scholars, and artists, have ever increased proportionally to the increase of the public wealth, or to the means of rewarding and honouring their labours.

The possession of wealth being thus indispensable to individual existence and comfort, and to the advancement of nations in civilization and the arts, it may justly excite our astonishment, that so few efforts should have been made, until a very recent period, to investigate its sources; and that the study of Political Economy was not early considered as forming a principal part in a comprehensive system of education. A variety of circumstances have conspired to occasion the unmerited neglect of this science; but of these it is only necessary briefly to advert to those which seem to have had the greatest influence—the political institutions of the ancient world, and the darkness of the period when the plan of education in the universities of modern Europe was originally framed.

The citizens of Greece and Rome considered it degrading to engage in those branches of manufacturing and commercial industry which form the principal business of a large proportion of the inhabitants of modern Europe. This prejudice had doubtless descended from those ages of violence and disorder antecedent to the establishment of a regular system of government, when man, constantly exposed to hostile attacks, depended on his sword alone for protection, and devolved on the softer sex, or on the captives whom the fortune

of war had put in his power, all those sedentary and laborious occupations which he considered as incompatible with the higher functions he was called upon to discharge. The constitution of the ancient republics tended to foster and perpetuate the early opinions with respect to the inferior condition of those engaged in mechanical pursuits. In Sparta,\* and some of the other Grecian states, the citizens were prohibited from undertaking any species of manufacturing or commercial industry: and in Athens, where this prohibition did not exist, these employments were universally regarded as unworthy of freemen, and were, in consequence, exclusively carried on either by slaves or by the very dregs of the populace. Aristotle uniformly speaks in the most contemptuous terms of artisans and merchants, who, he says, are to be classed with things that are useful to the commonwealth, but are not to be ranked with the citizens:† And Plato goes so far as to propose banishing them entirely from his imaginary republic.‡ The same prejudice had a still more powerful influence at Rome, which was less of a manufacturing and commercial city than Athens. Instead of endeavouring to enrich themselves by their own exertions, the Romans trusted to the reluctant labour of slaves, and to subsidies extorted from conquered countries. Even Cicero, who had mastered all the philosophy of the ancient world, and raised himself above many of the prejudices of his age and country, does not

\* Cragius de *Republica Lacedæmoniorum*, p. 284.

† Aristot. *Polit.* lib. vii. cap. 9; lib. viii. cap. 4, &c.

‡ *De Republica*, lib. ii.

scruple to affirm, that there can be nothing ingenuous in a workshop ; that commerce, when conducted on a small scale, is mean and despicable ; and when most extended, barely tolerable—*Non admodum vituperanda !\** Agriculture, indeed, was treated with more respect. Some of the most distinguished characters in the earlier ages of Roman history had been actively engaged in rural affairs ; but, notwithstanding their example, in the flourishing period of the Republic, and under the Emperors, the cultivation of the soil was almost entirely carried on by slaves, belonging to the landlord, and employed on his account. The mass of Roman citizens were either engaged in the military service, or derived a precarious and dependant subsistence from the supplies of corn furnished by the conquered provinces. In such a state of society the relations subsisting in modern Europe between landlords and tenants, and masters and servants, were almost unknown ; and the ancients were, in consequence, entire strangers to all those interesting and important questions arising out of the rise and fall of rents and wages, which form so important a branch of economical science. The spirit of the philosophy of the ancient world was also extremely unfavourable to the cultivation of Political Economy. The luxurious or more refined mode of living, of the rich, was regarded by the ancient moralists as an evil of the first magnitude. They considered it as subversive of those warlike virtues, which were the principal objects of

\* *De Officiis*, lib. i. cap. 42.

their admiration ; and they, therefore, denounced the passion for accumulating wealth as fraught with the most injurious and destructive consequences. It was impossible that Political Economy could become an object of attention to minds imbued with such prejudices ; or that it could be studied by those who contemned the objects about which it is conversant, and vilified the labour by which wealth is produced.

At the establishment of our universities, the clergy were almost the exclusive possessors of the little knowledge then in existence. It was natural, therefore, that their peculiar habits and pursuits should have a marked influence on the plans of education they were employed to frame. Grammar, rhetoric, logic, school divinity, and civil law, comprised the whole course of study. To have appointed professors to explain the principles of commerce, and the means by which labour might be rendered most effective, would have been considered as equally superfluous and degrading to the dignity of science. The ancient prejudices against commerce, manufactures, and luxury, retained a powerful influence in the middle ages. Few were then possessed of any clear ideas concerning the true sources of national wealth, happiness, and prosperity. The intercourse among states was extremely limited ; and was maintained rather by marauding incursions, and piratical expeditions in search of plunder, than by a commerce, founded on the gratification of real and reciprocal wants.

These circumstances sufficiently account for the

late rise of this science, and the little attention paid to it previously to the last century. And since it has become an object of more general attention and inquiry, the differences which have subsisted among the most eminent of its professors, have proved exceedingly unfavourable to its progress, and have generated a disposition to distrust its best established conclusions.

It is clear, however, that those who distrust the conclusions of Political Economy, because of the variety of systems that have been advanced to explain the phenomena about which it is conversant, might on the same ground distrust the conclusions of almost every other science. The discrepancy between the various systems that have successively been sanctioned by the ablest physicians, chemists, natural philosophers, and moralists, is quite as great as any that has existed between the systems advanced by the ablest political economists. But who would therefore conclude that medicine, chemistry, natural philosophy, and morals, rest on no solid foundation, or that they are incapable of presenting us with a system of well-established and consentaneous truths ? We do not refuse our assent to the demonstrations of Newton and Laplace, because they are subversive of the hypotheses of Ptolemy, Tycho Brahe, and Descartes ; and why should we refuse our assent to the demonstrations of Smith and Ricardo, because they have subverted the false theories that were previously advanced respecting the sources and the distribution of wealth ? Political Economy has not been exempted from the fate com-

mon to all the sciences. None of them has been instantaneously carried to perfection ; more or less of error has always insinuated itself into the speculations of their earliest cultivators. But the errors with which Political Economy was formerly infected have now nearly disappeared ; and it has been repeatedly shown that it admits of as much certainty in its conclusions as any science founded on reasonings deduced from *facts and experience* can possibly do.

When we reflect on the variety and extent of the previous knowledge required for the construction of a sound theory of Political Economy, we cease to feel any surprise at the errors into which economists have been betrayed, or at the diversity of the opinions that are still entertained on some important points. To arrive at a true knowledge of the laws regulating the production, distribution, and consumption of wealth, the economist must draw his materials from a very wide surface. He should study man in every different situation—he should have recourse to the history of society, arts, commerce, and civilization—to the works of philosophers and travellers—to every thing, in short, that can throw light on the causes which accelerate or retard the progress of civilization : He should mark the changes which have taken place in the fortunes and condition of the human race in different regions and ages of the world : He should trace the rise, progress, and decline of industry : And, above all, he should carefully analyse and compare the effects of different institutions and regulations, and discriminate the various circum-

stances wherein an advancing and declining society differ from each other. These investigations, by disclosing the real causes of national opulence and refinement, and of poverty and degradation, furnish the economist with the means of giving a satisfactory solution of almost all the important problems in the science of wealth ; and of devising a scheme of public administration calculated to insure the continued advancement of society in the career of improvement.

It is obvious, however, that such extensive and complicated inquiries must require the co-operation of many individuals, and the lapse of a long series of years, before those well-established and universally applicable conclusions which they are capable of affording can be deduced from them. But while Political Economy is of comparatively recent origin, its early cultivators were both few in number, and without any accurate ideas with respect to the nature, limits, and objects of the science. Various treatises of considerable merit had indeed appeared on some of its detached parts previously to the middle of last century ; but it was not treated as a whole, or in a systematic manner, until about that period. This circumstance is of itself enough to account for the number of erroneous theories that have since appeared. Instead of drawing their general conclusions from a comparison of particular facts, and a careful examination of the phenomena attending the operation of different principles, and of the same principles under different circumstances, the first cultivators of almost every branch of science begin by framing their theories

on a very narrow and insecure basis. Nor is it really in their power to go to work differently. Observations are scarcely ever made or particulars noted for their own sake. It is not until they begin to be sought after, as furnishing the only test by which to ascertain the truth or falsehood of some popular theory, that they are made in sufficient numbers, and with sufficient accuracy. It is, in the peculiar phraseology of this science, the *effectual demand* of the theorist that occasions the production of the facts or raw materials, which he is afterwards to work into a system. The history of Political Economy strikingly exemplifies the truth of this remark. Being, as already observed, entirely unknown to the ancients, and but little attended to by our ancestors up to a comparatively late period, those circumstances which would have enabled us to judge, with the greatest precision, of the wealth and civilization of the inhabitants of the most celebrated states of antiquity, and of Europe during the middle ages, have either been thought unworthy of the notice of the historian, or have been very imperfectly and carelessly detailed. Those, therefore, who first began to trace the general principles of the science, had but a comparatively limited and scanty experience on which to build their conclusions. Nor did they even avail themselves of the few historical facts with which they might easily have become acquainted ; but almost exclusively confined their attention to such as happened to come within the contracted sphere of their own observation.

The once prevalent opinion, that wealth consists exclusively of gold and silver, naturally grew out of the circumstance of the money of all civilized countries being almost entirely formed of these metals. Having been used both as standards by which to measure the relative value of different commodities and as the equivalents for which they were most frequently exchanged, gold and silver, or money, acquired a factitious importance, not in the estimation of the vulgar only, but in that of persons of the greatest discernment. The simple and decisive consideration, that all buying and selling is really nothing more than the bartering of one *commodity* for another—of a certain quantity of corn or cloth, for example, for a certain quantity of gold or silver, and *vice versa*—was entirely overlooked. The attention was gradually transferred from the end to the means, from the *money's worth* to the money itself; and the wealth of individuals and of states was measured, not by the abundance of their disposable products—by the quantity and value of the commodities with which they could afford to purchase the precious metals—but by the quantity of these metals actually in their possession.—And hence the policy, as obvious as it was universal, of attempting to increase the amount of national wealth by forbidding the exportation of gold and silver, and encouraging their importation.

It appears from a passage in Cicero, that the exportation of the precious metals from Rome had been frequently prohibited during the period of

the Republic;\* and this prohibition was repeatedly renewed, though to very little purpose, by the Emperors.† Neither, perhaps, has there been a state in modern Europe whose early laws have not expressly forbidden the exportation of gold and silver. It is said to have been interdicted by the law of England previously to the Conquest; and reiterated statutes were subsequently passed to the same effect; one of which, (3d Henry VIII. cap. 1,) enacted so late as 1512, declared, that all persons carrying over sea any coins, plate, jewels, &c. should, on detection, forfeit double their value.

The extraordinary extension of commerce during the fifteenth and sixteenth centuries occasioned the substitution of a more refined and complex system for increasing the supply of the precious metals in place of the coarse and vulgar one that had previously obtained. The establishment of a direct intercourse with India by the Cape of Good Hope, seems to have had the greatest influence in effecting this change. The precious metals have always been one of the most advantageous articles of export to the East: and notwithstanding the old and deeply rooted prejudices against their exportation, the East India Company obtained, when first instituted, in 1600, leave annually to export foreign coins, or bullion, of the value of L.30,000; on condition, however, that they should import,

\* *“Exportari aurum non oportere, cum sape antea senatus, tum me consule, gravissime judicavit.”* Orat. pro L. Flacco, sect. 28.

† Pliny, when enumerating the silks, spices, and other Eastern products imported into Italy, says, *“Minimaque computatione millies centena millia sestertium annis omnibus, India et Seres, peninsulaque illa (Arabia) imperio nostro demunt.”* (Hist. Nat. lib. xii. cap. 18.)

within six months after the termination of every voyage, except the first, as much gold and silver as should together be equal to the value of the silver exported by them. But the enemies of the Company contended, that this condition was not complied with ; and that it was besides *contrary to all principle*, and highly injurious to the public interests, to permit gold and silver to be sent out of the kingdom. The merchants, and others interested in the support of the Company, could not controvert the reasoning of their opponents, without openly impugning the ancient policy of absolutely preventing the exportation of the precious metals. They did not, however, venture to contend, nor is there indeed any good reason for thinking that it really occurred to them, that the exportation of bullion to the East was advantageous, on the ground that the commodities purchased by it were of greater value in England. But they contended, that the exportation of bullion to India was advantageous, because the commodities imported from thence were chiefly re-exported to other countries, from which a much greater quantity of bullion was obtained than had been required to pay them in India. Mr. Thomas Mun, the ablest of the Company's advocates, ingeniously compares the operations of the merchant in conducting a trade carried on by the exportation of gold and silver, to the seed-time and harvest of agriculture. “ If we only behold,” says he, “ the actions of the husbandman in the seed-time, when he casteth away much good corn into the ground, we shall account him rather a madman

than a husbandman. But when we consider his labours in the harvest, which is the end of his endeavours, we shall find the worth and plentiful increase of his actions.”\*

Such was the origin of what has been called the **MERCANTILE SYSTEM**: and, when compared with the previous prejudice—for it hardly deserves the name of system—which wholly interdicted the exportation of gold and silver, it must be allowed that its adoption was a considerable step in the progress to sounder opinions. The supporters of the mercantile system, like their predecessors, held that gold and silver alone constituted wealth; but they thought that sound policy dictated the propriety of allowing their exportation to foreigners, provided the commodities imported in their stead, or a portion of them, were afterwards sold to other foreigners for a greater amount of bullion than had been originally laid out on their purchase; or, provided the importation of the foreign commodities caused the exportation of so much more native produce than would otherwise have been exported, as would more than equal their cost. These opinions necessarily led to the celebrated doctrine of the *Balance of Trade*. It was obvious that the precious metals could not be imported into countries destitute of mines, except in return for exported commodi-

\* *Treasure by Foreign Trade*, orig. ed. p. 50.—This work was published in 1664, a considerable period after Mr. Mun’s death. Most probably it had been written about 1635 or 1640. Mun had previously advanced the same doctrines, and nearly in the same words, in his *Defence of the East India Trade*, originally published in 1621, and in a petition drawn up by him, and presented by the East India Company to Parliament, in 1628.

ties ; and the grand object of the supporters of the mercantile system was to monopolise the largest possible supply of the precious metals, by the adoption of various complex schemes for encouraging exportation, and restraining the importation of almost all products, except gold and silver, that were not intended for future exportation. In consequence, the *excess of the value of the Exports over that of the Imports* came to be considered as being at once the sole cause and measure of the progress of a country in the career of wealth. This excess, it was taken for granted, could not be balanced otherwise than by the importation of an equal value of gold or silver, or of the only real wealth it was then supposed a country could possess.

The principles and conclusions of the mercantile system, though absolutely false and erroneous, afford a tolerable explanation of a few very obvious phenomena ; and what did more to recommend them, they were in perfect unison with the popular prejudices on the subject. The merchants, and practical men, who were the founders of this system, did not consider it necessary to subject the principles they assumed to any very refined analysis or examination. But, reckoning them as sufficiently established by the common consent and agreement of mankind, they applied themselves almost exclusively to the discussion of the practical measures calculated to give them the greatest efficacy.

“ Although a kingdom,” says Mr. Mun, “ may be enriched by gifts received, or by purchase taken, from some other nations, yet these are things un-

certain, and of small consideration, when they happen. The ordinary means, therefore, to increase our wealth and treasure, is by foreign trade, wherein we must ever observe this rule—*to sell more to strangers yearly than we consume of theirs in value*. For, suppose, that when this kingdom is plentifully served with cloth, lead, tin, iron, fish, and other native commodities, we do yearly export the overplus to foreign countries to the value of L.2,200,000, by which means we are enabled, beyond the seas, to buy and bring in foreign wares for our use and consumption to the value of L.2,000,000: by this order duly kept in our trading, we may rest assured that the kingdom shall be enriched yearly L.200,000, which must be brought to us as so much treasure; because that part of our stock which is not returned to us in wares, must necessarily be brought home in treasure.”\*

The gain on our foreign commerce is here supposed to consist exclusively of the gold and silver which, it is taken for granted, must necessarily be brought home in payment of the excess of exported commodities. Mr. Mun lays no stress whatever on the circumstance of foreign commerce enabling us to obtain an infinite variety of useful and agreeable products, which it would either have been impossible for us to produce at all, or to produce so cheaply at home. We are desired to consider all this accession of wealth—all the vast additions made by commerce to the motives which stimulate, and to the comforts and enjoyments which reward the

\* Treasure by Foreign Trade, p. 11.

labour of the industrious, as *nothing*,—and to fix our attention exclusively on the balance of L.200,000 of gold and silver! This is much the same as if we were desired to estimate the comfort and benefit derived from a suit of clothes, by the number and glare of the metal buttons by which they are fastened. And yet Mr. Mun's rule for estimating the advantage of foreign commerce, was for a long time regarded, by the generality of merchants and practical statesmen, as infallible ; and such is the inyeteracy of ancient prejudices, that we are still annually congratulated on the excess of our exports over our imports !

There were many other circumstances, however, besides the erroneous notions respecting the precious metals, which led to the enactment of regulations restricting the freedom of industry, and secured the ascendancy of the mercantile system. The feudal governments established in the countries that had formed the western division of the Roman Empire, early sunk into a state of confusion and anarchy. The princes, unable of themselves to restrain the usurpations of the greater barons, or to control their violence, endeavoured to strengthen their influence and consolidate their power, by attaching the inhabitants of cities and towns to their interests. For this purpose, they granted them charters, enfranchising the inhabitants, abolishing every existing mark of servitude, and forming them into corporations, or bodies politic, to be governed by a council and magistrates of their own selection. The order and good government that were thus established in the cities, and the se-

curity of property enjoyed by their inhabitants, while the rest of the country was a prey to rapine and disorder, stimulated their industry, and gave them a decided superiority over the cultivators of the soil. It was from the cities that the princes derived the greater part of their supplies of money ; and it was by their assistance and co-operation that they were enabled to control and subdue the pride and independence of the barons. But the citizens did not render this assistance to their sovereigns merely by way of compensation for the original gift of their charters. They were continually soliciting and obtaining new privileges. And it was not to be expected that princes, whom they had laid under so many obligations, and who justly regarded them as forming the most industrious and deserving portion of their subjects, should feel any great disinclination to gratify their wishes. To enable them to obtain cheap provisions, and to carry on their industry to the best advantage, the exportation of corn, and of the raw materials of their manufactures, was strictly prohibited ; at the same time that heavy duties and absolute prohibitions were imposed and enacted to prevent the importation of manufactured articles from abroad, and to secure the complete monopoly of the home market to the home manufacturers. These, together with the privilege granted to the citizens of corporate towns of preventing any individual from exercising any branch of business until he had obtained leave from them ; and a variety of subordinate regulations intended to force the importation of the

raw materials required in manufactures, and the exportation of manufactured goods, form the principal features of the system of public economy adopted, with the view of encouraging *manufacturing* industry, in almost every country of Europe, in the fourteenth, fifteenth, sixteenth, and seventeenth centuries.—It would be easy to mention a thousand instances of the excess to which this artificial system was carried in England and other countries ; but as many of these instances must be familiar to the reader, I shall only observe, as illustrative of its spirit, that, by an act passed in 1678, for the encouragement of the English woollen manufacture, it was ordered that all *dead bodies* should be wrapped in a woollen shroud !

The exclusion of foreign competition was not, however, enough to satisfy the manufacturers and merchants. Having obtained the monopoly of the home market, they next attempted to subvert that freedom of *internal* industry which had been sanctioned by the common law of the country, and by repeated acts of the legislature.\* During the arbitrary reigns of the princes of the house of Tudor, the notion that the crown was entitled, by virtue of its prerogative, to grant patents for the sole

\* The common law and the ancient statute law of England are decidedly hostile to monopolies and restrictions on the *internal* commerce and industry of the country. In his third Institute, Lord Coke lays it down, that *Commercium jure gentium commune esse debet, et non in monopolium et privatum paulorum quæstum convertendum. Iniquum est aliis permittere, aliis inhibere mercaturam.* In Magna Charta a clause is inserted, which bears, that all merchants shall have safe and sure conduct to come into England and to depart from it ; and to buy and sell without the obstruction of *evil tolls*. This privilege was confirmed by several subsequent statutes, as 9 Edward III. cap. 1, 14 Ed-

making, buying, and selling of particular commodities, became fashionable among the court lawyers : And, in consequence, many individuals possessed of influence availed themselves of it, to procure the privilege of carrying on particular branches of industry to the exclusion of every one else. This abuse was carried to a most oppressive height during the reign of Elizabeth, who granted an infinite number of new patents. And the grievance became, at length, so insupportable, as to induce all classes to join in petitioning for its abolition : which, after much opposition on the part of the Crown, by whom the power to erect monopolies was considered of the greatest value, was effected by an act passed in 1624. (21 Jac. I. cap. 3.) This act, by abolishing a number of most oppressive monopolies, and restoring the freedom of internal industry, has done more, perhaps, than any other in the statute-book, to accelerate the progress of improvement : But it did not touch any of the fundamental principles of the mercantile or manufacturing system ; and the privileges of all bodies legally incorporated were exempted from its operation.

In France the interests of the manufacturers were warmly espoused by the justly celebrated M. Colbert, minister of finances during the most splen-

ward III. cap. 2, 25 Edward III. cap. 2, 2 Richard II. cap. 1, &c. And Lord Coke, after reviewing the clause in Magna Charta and these statutes, states distinctly, “ That all monopolies concerning trade and traffic, *are against the liberty and freedom granted by the Great Charter*, and divers other acts of Parliament which are good commentaries upon that charter.”

did period of the reign of Louis XIV.; and the year 1664, when the famous tariff, compiled under his directions, was first promulgated, has been sometimes considered, by the continental writers, though, as we have seen, most erroneously, as the real era of the mercantile system.\*

The restrictions in favour of the manufacturers were all zealously supported by the advocates of the mercantile system, and the balance of trade. The facilities given to the exportation of goods manufactured at home, and the obstacles thrown in the way of importation from abroad, seemed peculiarly well fitted for making the exports exceed the imports, and procuring a favourable balance. Instead, therefore, of regarding these regulations as the offspring of a selfish monopolizing spirit, they looked on them as having been dictated by the soundest policy. The interests of the manufacturers and merchants were thus naturally identified; and were held to be the same with those of the public. The acquisition of a favourable balance of payments was the grand *object* to be accomplished; and heavy duties and restrictions on importation, and bounties and premiums on exportation, were the *means* by which this object was to be attained. It cannot excite our surprise that a system having so many popular prejudices in its favour, and which afforded a plausible apology for the exclusive privileges enjoyed by the manufacturing and commercial classes, should have early attained, or that it should still preserve, notwithstanding-

\* Mengotti, *Dissertazione sul Colbertismo*, cap. 11.

standing the overthrow of its principles, a powerful practical influence.\*

“ It is no exaggeration to affirm,” says a late foreign writer, “ that there are very few political errors which have produced more mischief than the mercantile system. Armed with power, it has commanded and forbid where it should only have *protected*. The regulating mania which it has inspired has tormented industry in a thousand ways, to force it from its natural channels. It has made each particular nation regard the welfare of its neighbours as incompatible with its own ; hence the reciprocal desire of injuring and impoverishing each other ; and hence that spirit of commercial rivalry which has been the immediate or remote cause of the greater number of modern wars. It is this system which has stimulated nations to employ force or cunning to extort commercial treaties, productive of no real advantage to themselves, from the weakness or ignorance of others. It has formed colonies, that the mother country might enjoy the monopoly of their trade, and force them to resort exclusively to her markets. In short, where this system has been productive of the least injury, it has retarded the progress of national prosperity ; everywhere else it has deluged the earth with blood, and has depopulated and ruined some of those countries whose power and opulence it was supposed it would carry to the highest pitch.”†

\* Melon and Forbonnais in France,—Genovesi in Italy,—Mun, Sir Josiah Child, Dr. Davenant, the authors of the *British Merchant*, and Sir James Steuart, in England,—are the ablest writers who have espoused, some with more and some with fewer exceptions, the leading principles of the mercantile system.

† Storch, *Cours d'Economie Politique*, tome i. p. 122. Paris ed.

The shock given to previous prejudices and systems by those great discoveries and events, which will for ever distinguish the fifteenth and sixteenth centuries, and the greater attention which the progress of civilization and industry naturally drew to the sources of national power and opulence, prepared the way for the downfall of the mercantile system. The advocates of the East India Company, whose interests had first prompted them to question the prevailing doctrines as to the exportation of bullion, began gradually to assume a higher tone ; and at length boldly contended that bullion was *nothing but a commodity*, and that its exportation ought to be rendered as free as the exportation of any other commodity. Nor were these opinions confined to the partners of the East India Company. They were gradually communicated to others ; and many eminent merchants were taught to look with suspicion on several of the best received maxims ; and were thus led to acquire more correct and comprehensive views with respect to the just principles of commercial intercourse. The new ideas ultimately made their way into the House of Commons ; and, in 1663, the statutes prohibiting the exportation of *foreign coin and bullion* were repealed, and full liberty given to the East India Company, and to private traders, to export these articles in unlimited quantities.

In addition to the controversies respecting the East India trade, the discussions to which the foundation of the colonies in America and the West Indies, the establishment of a compulsory provision for the support of the poor, and the acts

prohibiting the exportation of wool, &c. gave rise, attracted an extraordinary portion of the public attention to questions connected with the domestic policy of the country. In the course of the seventeenth century, a more than usual number of tracts were published on commercial and economical subjects. And although the authors of the greater number appear to have been strongly tinctured with the prevailing spirit of the age, it cannot be denied, that several of them rise above the prejudices of their contemporaries, and have an unquestionable right to be regarded as the founders of the modern theory of commerce—as the earliest expositors of those sound and liberal doctrines, by which it has been shown, that the prosperity of states can never be promoted by restrictive regulations, or by the depression of their neighbours—that the genuine spirit of commerce is altogether inconsistent with the dark, selfish, and shallow policy of monopoly—and that the *self-interest* of mankind, not less than their duty, requires them to live in peace, and to cultivate a fair and friendly intercourse with each other.

With the exception of Mr. Mun, to whom reference has been already made, Sir Josiah Child is perhaps the best known of all the commercial writers of the seventeenth century. His *New Discourse of Trade* was first published in 1668; but it was very greatly enlarged in the next edition, published in 1690. There are many sound and liberal doctrines advanced in this book. The argument to show that colonies do not depopulate

the mother country is as conclusive as if it had proceeded from the pen of Mr. Malthus ; and the just and forcible reasoning in defence of the naturalization of the Jews is highly creditable to the liberality and good sense of the writer, and discovers a mind greatly superior to the prejudices of the age. Sir Josiah has also many excellent observations on the bad effects of the laws against *fore-stalling* and *regrating* ; on those limiting the number of apprentices, and preventing the exportation of bullion ; and on corporation privileges.

The radical defect of Sir Josiah Child's *Discourse* consists in the circumstance of its having been written to illustrate the advantages which, he labours to show, would result from reducing the legal rate of interest to *four per cent* ; an error into which he had been led by mistaking the low rate of interest in Holland for the principal cause of her wealth, when it was in truth the effect of her comparatively heavy taxation.\*

It is, however, worthy of remark, that this error was very soon detected. In the same year (1668) that Sir Josiah's *Discourse* first appeared, a tract was published, entitled, *Interest of Money mistaken, or a Treatise, proving that the Abatement of Interest is the Effect and not the Cause of the Riches of a Nation*. The author of this tract maintains the opinion afterwards held by Locke and Montesquieu, that the interest of money

\* Sir Josiah Child was the author of several tracts in defence of East India trade. The principles advanced in them are similar to those advanced in his *Discourse*.

does not depend on statutory regulations, but that it varies according to the comparative opulence of a country: or rather according to the comparative scarcity and abundance of money—increasing when the supply of money diminishes, and diminishing when it increases.\* Having endeavoured to establish this principle, the author of the tract successfully contends that Sir Josiah Child had totally mistaken the cause of the wealth of the Dutch, of which he shows the lowness of their interest was merely a consequence.

The principal defect in the writings of Mun, Child, &c. did not really consist so much in their mistaken opinions about the superior importance of the precious metals, and the balance of trade, as in those respecting the superior advantages which they supposed were derived from the importation of durable, rather than of rapidly perishable commodities. This, however, was an extremely natural opinion; and we cannot be surprised that the earlier writers on commerce should not have avoided falling into an error, from which neither the profound sagacity of Mr. Locke, nor the strong sense of Mr. Harris, has been able to preserve them. But even so early as 1677, the fallacy of

\* It has been generally supposed that Mr. Hume was the first who showed (in his *Essay on Interest*) the fallacy of this opinion, and who proved that the rate of interest did not depend on the abundance or scarcity of money, but on the abundance or scarcity of disposable capital compared with the demands of the borrowers, and the rate of profit. This, however, is a mistake, the doctrine in question having been fully demonstrated in a pamphlet written by Mr. Massie, entitled *Essay on the Governing Causes of the Natural Rate of Interest*, published two years before Mr. Hume's *Essay* appeared.

this opinion had been perceived. In that year, there appeared a small tract, entitled, *England's Great Happiness; or, a Dialogue between Content and Complaint*; in which the author contends, that the importation of wine and other commodities, which are speedily consumed, but for which there is a demand, in exchange for money, is advantageous: and, on this ground, he defends the French trade, which has been uniformly declaimed against by the supporters of the mercantile system. I shall make a short extract from this remarkable tract:

“*Complaint*.—You speak plain; but what think you of the French trade? which draws away our money by wholesale. Mr. Fortrey,\* whom I have heard you speak well of, gives an account that they get L.1,600,000 a-year from us.

“*Content*.—’Tis a great sum; but, perhaps, were it put to a vote in a *wise Council*, whether for that reason the trade should be left off, ’twould go *in the negative*.—I must confess, I had rather they’d use our goods than money; but if not, I WOULD NOT LOSE THE GETTING OF TEN POUND BECAUSE I CAN’T GET AN HUNDRED; and I don’t question but when the French get more foreign trade, they’ll give more liberty to the bringing in foreign goods. I’ll suppose John-a-Nokes to be a butcher, Dick-a-Styles to be an Exchange man, yourself a lawyer, *will you buy no meat*

\* Mr. Fortrey’s pamphlet has been much referred to. It was published in 1663, and reprinted in 1673. It contains a very good argument in favour of inclosures. The reference in the text sufficiently explains the opinions of the writer in regard to commerce.

*or ribbands, or your wife a fine Indian gown or fan, because they will not truck with you for indentures which they have need of? I suppose no; but if you get money enough of others, you care not though you give it away in specie for these things; I think 'tis the same case.'*

The general spirit of this tract may perhaps be better inferred from the titles of some of the dialogues. Among others, we have "*To export money, our great advantage;*"—" *The French trade a profitable trade;*"—" *Variety of wares for all markets, a great advantage;*"—" *High living, a great improvement to the arts;*"—" *Invitation of foreign arts, a great advantage;*"—" *Multitudes of traders, a great advantage,*" &c. &c. But its influence was far too feeble to arrest the current of popular prejudice. In 1678, the year after its publication, the importation of French commodities was prohibited for three years. This prohibition was made perpetual in the reign of William III. when the legislature declared the trade with France a *nuisance!*—a principle, if I may so call it, which has been acted upon up to this very hour, with the exception of the short period during which the commercial treaty, negotiated in 1786, had effect.

Notwithstanding the immense variety of pursuits in which Sir William Petty was engaged, his discriminating and original genius enabled him to strike out new lights, and to make many valuable discoveries in them all. His treatise "*On Taxes and Contributions,*" published in 1667,—his "*Quantulumcunque,*" published in 1682,—his "*Essays on Political Arithmetic,*" first published in 1687, and his

“ Political Anatomy of Ireland,” published in 1691, are among the very best of the political tracts published in the seventeenth century, and contain many original remarks, and much curious and interesting information. He seems to have been the first person who has distinctly laid down, though only in a cursory and incidental manner, the fundamental doctrine, that the value of commodities is determined by the quantities of labour required for their production. In his treatise “ On Taxes and Contributions,” he says, “ If a man bring to London an ounce of silver out of the earth in Peru, in the same time that he can produce a bushel of corn, the one is the natural price of the other ; *now, if, by reason of new and more easie mines, a man can get two ounces of silver as easily as formerly he did one, then corn will be as cheap at ten shillings the bushel as it was before at five shillings, cæteris paribus.*” — “ Let a hundred men work ten years upon corn, and the same number of men the same time upon silver ; I say that the neat proceed of the silver is the price of the whole neat proceed of the corn ; and like parts of the one the price of like parts of the other :” and, in another place, he observes, “ *Corn will be twice as dear when there are two hundred husbandmen to do the same work which an hundred could perform.*”\*

In the *Quantulumcunque*, the subject of money is treated with great ability, and the idea of draining England of her cash by an unfavourable balance,

\* See Treatise on Taxes and Contributions, ed. 1679, pp. 31, 24, and 67.

successfully combated. Sir William has also strongly condemned the laws regulating the rate of interest, justly observing that there might as well be laws to regulate the rate of exchange or of insurance.\*

The essays on *Political Arithmetic* are too well known to require any particular notice in this place. But the *Political Anatomy of Ireland*, though perhaps the best of all Sir William Petty's political works, is now comparatively neglected. This treatise is not more valuable for the accurate information it affords respecting the state of Ireland in the latter part of the seventeenth century, than for the judicious reflections and suggestions of the author, with a view to its improvement. Sir William was fully aware of the benefits that would result from an incorporating union between Great Britain and Ireland, and from the establishment of a perfectly free intercourse between the two countries. When speaking of the act passed in 1664, prohibiting the importation of cattle, beef, &c. from Ireland into Britain, he asks " If it be good for England to keep Ireland a distinct kingdom, why do not the predominant party in Parliament, suppose the western members, make England beyond Trent another kingdom, and take tolls and customs upon the borders ? Or why was there ever any union between England and Wales ? And why may not the entire kingdom of England be further cantonised for the advantage of all parties ?" †

\* Pp. 3, 6, 8, orig. edit.

† P. 34, edit. 1719.

But a tract, entitled, *Discourses on Trade, principally directed to the Cases of Interest, Coinage, Clipping, and Increase of Money*, written by Sir Dudley North, and published in 1691, unquestionably contains a far more able statement of the true principles of commerce than any that had then appeared. Sir Dudley is throughout the intelligent advocate of all the great principles of commercial freedom. He is not, like the most eminent of his predecessors, well informed on one subject, and erroneous on another. His system is consentaneous in its parts and complete. He shows, that in commercial matters, nations have the same interests as individuals; and forcibly exposes the absurdity of supposing, that any trade which is advantageous to the merchant can be injurious to the public. His opinions respecting the imposition of a seignorage on the coinage of money, and the expediency of sumptuary laws, then very popular, are equally enlightened.

I shall subjoin from the preface to this tract an abstract of the general propositions maintained in it :

*“ That the whole world as to trade is but as one nation or people, and therein nations are as persons.*

*“ That the loss of a trade with one nation is not that only, separately considered, but so much of the trade of the world rescinded and lost, for all is combined together.*

*“ That there can be no trade unprofitable to the public; for if any prove so, men leave it off; and wherever the traders thrive, the public, of which they are a part, thrive also.*

“ That to force men to deal in any prescribed manner may profit such as happen to serve them ; but the public gains not, because it is taking from one subject to give to another.

“ That no laws can set prices in trade, the rates of which must and will make themselves. But when such laws do happen to lay any hold, it is so much impediment to trade, and therefore prejudicial.

“ That money is a merchandise, whereof there may be a glut, as well as a scarcity, and that even to an inconvenience.

“ That a people cannot want money to serve the ordinary dealing, and more than enough they will not have.

“ That no man will be the richer for the making much money, nor have any part of it, but as he buys it for an equivalent price.

“ That the free coynage is a perpetual motion found out, whereby to melt and coyn without ceasing, and so to feed goldsmiths and coyners at the public charge.

“ That debasing the coyn is defrauding one another, and to the public there is no sort of advantage from it ; for that admits no character, or value, but intrinsick.

“ That the sinking by alloy or weight is all one.

“ That exchange and ready money are the same, nothing but carriage and re-carriage being saved.

“ That money exported in trade is an increase to the wealth of the nation ; but spent in war, and payments abroad, is so much impoverishment.

“ In short, that *all favour to one trade, or interest*

*rest, is an abuse, and cuts so much of profit from the public."*

Unluckily this admirable tract never obtained any considerable circulation. There is good reason indeed for supposing that it was designedly suppressed.\* At all events, it speedily became excessively scarce ; and I am not aware that it has ever been referred to by any subsequent writer on commerce.

It will be observed, that among the authors of the different works hitherto mentioned there is not one who has endeavoured to trace and discover the real source of wealth, and to show how it might be rendered most productive. We have seen that several of them were aware that wealth did not depend on the abundance of gold and silver, but on the abundance of all sorts of valuable and desirable products ; and that they had distinctly laid down and ably supported the great principle of commercial freedom. But none of them seems ever to have thought of carefully analyzing the means by which commodities are brought into that state which fits them for ministering to our wants and gratifying our desires ; and with the single exception of Sir William Petty, who has only slightly touched on the subject, no one had thought of investigating the sources whence they derive their value in exchange, or their power or capacity of exchanging for or buying others. This, however, is plainly the most elementary and fundamental in-

\* See the Hon. Roger North's *Life of his Brother, the Hon. Sir Dudley North*, p. 179.

quiry in the whole science; and it was quite impossible that it could ever assume a systematic shape until some considerable progress had been made in its elucidation.

Hobbes seems to have been one of the first who has entered upon this inquiry, and who was fully impressed with a conviction of the vast importance of labour in the production of wealth. At the commencement of the 24th chapter \* of the *Leviathan*, published in 1651, he says, “The *nutrition* of a commonwealth consisteth in the *plenty* and *distribution of materials* conducing to life.

“ As for the plenty of matter, it is a thing limited by nature to those commodities which, from (the two breasts of our common mother) *land* and *sea*, God usually either freely giveth, or for labour selleth to mankind.

“ For the matter of this nutriment, consisting in animals, vegetables, minerals, God hath freely laid them before us, in or near to the face of the earth; so as there needeth no more but the labour and industry of receiving them. Insomuch that *plenty dependeth* (next to God’s favour) *on the labour and industry of man.*”

But Mr. Locke had a much clearer apprehension of this doctrine. In the *Essay on Civil Government*, published in 1689, he has entered into a lengthened, discriminating, and able analysis to show that it is from labour that the products of the earth derive almost all their value. “ Let any one

\* *Of the Nutrition and Procreation of a Commonwealth.*

consider," says he, " what the difference is between an acre of land planted with tobacco or sugar, sown with wheat or barley, and an acre of the same land lying in common, without any husbandry upon it, and he will find that the improvement of labour makes the far greater part of the value. I think it will be but a very modest computation to say, that of the products of the earth useful to the life of man, *nine-tenths* are the effects of labour ; nay, if we will rightly consider things as they come to our use, and cast up the several expences about them, what in them is purely owing to nature, and what to labour, we shall find, that in most of them *ninety-nine hundredths* are wholly to be put on the account of labour.

" To make this a little clear, let us but trace some of the ordinary provisions of life through their several progresses, before they come to our use, and see how much of their value they receive from human industry. Bread, wine, and cloth, are things of daily use, and great plenty ; yet, notwithstanding, acorns, water, and leaves, or skins, must be our bread, drink, and clothing, did not labour furnish us with these more useful commodities ; for whatever bread is more worth than acorns, wine than water, and cloth or silk than leaves, skins, or moss, that is solely owing to labour and industry ; the one of these being the food and raiment which unassisted nature furnishes us with ; the other provisions which our industry and pains prepare for us ; which how much they exceed the other in value, when any one hath computed, he will then see how much labour makes the far greatest part

of the value of things we enjoy in this world ; and the ground which produces the materials is scarce to be reckoned on as any, or, at most, but a very small part of it ; so little, that even amongst us, land that is wholly left to nature, that hath no improvement of pasturage, tillage, or planting, is called, as indeed it is, *waste* ; and we shall find the benefit of it amount to little more than nothing.

“ An acre of land that bears here twenty bushels of wheat, and another in America, which, with the same husbandry, would do the like, are, without doubt, of the same natural intrinsic value (utility.) But yet, the benefit mankind receives from the one in a year is worth L.5, and from the other possibly not worth *one penny* ; if all the profits an Indian received from it were to be valued and sold here, at least, I may truly say, not  $\frac{1}{1000}$ . 'Tis labour, then, which puts the greatest part of value upon land, *without which it would scarcely be worth any thing* : 'Tis to that we owe the greatest part of its useful products ; for all that the straw, bran, bread of that acre of wheat, is more worth than the product of an acre of good land, which lies waste, is all the effect of labour. For 'tis not merely the ploughman's pains, the reaper's and thrasher's toil, and the baker's sweat, is to be counted into the bread we eat, the labour of those who broke the oxen, who digged and wrought the iron and stones, who fitted and framed the timber employed about the plough, mill, oven, or any other utensils, which are a vast number, requisite to this corn, from its being seed to be sown, to its being made bread, must all be charged on the account of *labour*, and received

as an effect of that. Nature and the earth furnishing only the almost worthless materials as in themselves.—'Twould be a strange *catalogue of things that industry provided and made use of about every loaf of bread*, before it came to our use, if we could trace them. Iron, wood, leather, barks, timber, stone, brick, coals, lime, cloth, dyeing-drugs, pitch, tar, masts, ropes, and all the materials made use of in the ship that brought away the commodities made use of by any of the workmen, to any part of the work ; all which, it would be almost impossible, at least too long to reckon up."\*

Mr. Locke has here all but established the fundamental doctrine on which the whole science of Political Economy rests. Had he carried his analysis a little further, he could not have failed to perceive that neither water, leaves, skins, nor any of the spontaneous productions of nature, have any *value*, except what they owe to the labour required to appropriate them. The value of water to a man placed on the bank of a river depends on the labour necessary to raise it from the river to his lips ;

\* *Of Civil Government*, Book II. sect. 40, 41, 42, and 43. This is a very remarkable passage. It contains a far more distinct and comprehensive statement of the fundamental doctrine, that labour is the constituent principle of value, than is to be found in any other writer previous to Dr. Smith, or than is to be found even in the *Wealth of Nations*. But Mr. Locke does not seem to have been sufficiently aware of the real value of the principle he had elucidated, and has not deduced from it any important practical conclusion. On the contrary, in his tract on *Raising the Value of Money*, published in 1691, he lays it down broadly that all taxes, howsoever imposed, must ultimately *fall on the land* ; whereas, it is plain he ought, consistently with the above principle, to have shown that they would fall, not exclusively on the produce of land, but generally on the *produce of industry*, or on all species of commodities.

and its value, when carried ten or twenty miles off, is equally dependent on the labour necessary to convey it there. All the rude products, and all the productive powers and capacities of nature, are gratuitously offered to man. Nature is not niggardly or parsimonious. She neither demands nor receives an equivalent for her favours. An object which it does not require any portion of labour to appropriate or to adapt to our use, may be of the very highest utility ; but, as it is the free gift of nature, it is utterly impossible it can be possessed of the smallest value.\*

A very short time only elapsed after the publication of the *Essay on Civil Government*, before Mr. Locke found himself engaged in the controversy relative to the great re-coinage in the reign of William III. His tracts on Money were published in 1691 and 1695.† They immediately obtained a very extensive circulation ; and though infected with some very grave errors, had a powerful influence in preventing Mr. Lowndes's pro-

\* M. Say appears to think (*Discours Preliminaire*, p. 37.) that Galiani was the *first* who showed, in his treatise *Della Moneta*, published in 1750, that labour is the only source of wealth. But the passages now laid before the reader prove the erroneousness of this opinion. Galiani has entered into *no analysis or argument to prove the correctness of his statement* ; and, as it appears from other parts of his work, that he was well acquainted with Mr. Locke's *Tracts on Money*, a suspicion naturally arises that he had seen the *Essay on Civil Government*, and that he was really indebted to it for a knowledge of this principle. This suspicion derives strength from the circumstance of Galiani being still less aware than Mr. Locke of the value of the discovery.—See *Trattato Della Moneta*, p. 39, ediz. 1780.

† *Considerations on the Lowering of Interest and Raising the Value of Money*, 1691. *Further Considerations concerning Raising the Value of Money*, 1695.

posal for degrading the standard from being carried into effect, and in contributing to establish the true theory of money. The restoration of the currency was not, however, effected without great opposition. A large minority in Parliament supported Mr. Lowndes's views ; and they were also supported by a number of writers. Mr. Nicholas Barbon, in his tract, entitled, *A Discourse concerning Coining the New Money Lighter*, published in 1696, pointed out several of the errors into which Mr. Locke had fallen ; and he has the further merit of having ably demonstrated the fallacy of the popular opinions respecting the balance of trade ; and of having shown, that no bullion could ever be sent abroad in payment of an unfavourable balance, unless it was at the time the cheapest and most profitable article of export.

But although Mr. Barbon had shown that bullion differed in no respect from other commodities, he contended that the value of *coined money* chiefly depended on *the stamp affixed to it by government!* This extraordinary error destroyed the effect of his tract ; and was, most probably, the cause of the oblivion into which it very soon fell, and of its never having attracted that attention to which it was, on other accounts, entitled.

A violent controversy had been carried on for some years previously to 1700, with respect to the policy of permitting the importation of East India silks and cotton stuffs. Those who wished to prevent their importation, resorted to the arguments universally made use of on such occasions ; affirm-

ing that the substitution of manufactured India goods in the place of those of England had been the means of ruining a large proportion of our manufacturers, of causing the exportation of the coin, and the general impoverishment of the country. The merchants interested in the India trade could not, as had previously happened to them in the controversy with respect to the exportation of bullion, meet these arguments without attacking the principles on which they rested, and maintaining, in opposition to them, that it was for the advantage of every people to buy the products they wanted in the cheapest market. This just and sound principle was, in consequence, enforced in several petitions presented to Parliament by the importers of India goods ; and it was also enforced in several publications that appeared at the time. Of these, an anonymous tract, entitled, *Considerations on the East India Trade*, printed in 1701, seems one of the best. The author, who is a person of no common talent, has endeavoured to refute the various arguments advanced in justification of the prohibition against importing East India goods, and has also given some very striking and admirable illustrations of the effects of the division of labour, and of the advantages resulting from the employment of machinery.

In answer to the objection that the manufactured goods imported from India are the produce of the labour of fewer hands than those made in England, and that by allowing them to be imported, some of our people must be thrown out of employ-

ment, we have the following conclusive statements :—

“ The East India trade destroys no profitable English manufacture ; it deprives the people of no employment which we should wish to be preserved. The foundation of this complaint is that manufactures are procured from the East Indies by the labour of fewer people than are necessary to make the same in England ; and this shall be admitted. Hence it follows that to reject the Indian manufactures that like may be made by the labour of more hands in England, is to employ many to do the work that may be done as well by few ; is to employ all, more than are necessary to procure such things from the East Indies, to do work that may be done as well without them.

“ A saw mill with a pair or two of hands, will split as many boards as thirty men without this mill ; if then the use of this mill shall be rejected, that thirty may be employed to do the work, eight and twenty are employed more than are necessary, or are employed to do a work that may be as well done without them. So if by any art, or trade, or engine, the labour of one can produce as much for our consumption, or other use, as can otherwise be procured only by the labour of two or three ; if this art, or trade, or engine, shall be rejected, if three shall be employed to do the work of one, two are employed more than are necessary, or to profit of the kingdom. For if the providence of God should provide corn for England as manna heretofore for Israel; the people would not be well employed to plough, and sow, and reap, for no

more corn than might be had without this labour. Wherefore to employ more hands to manufacture things in England than are necessary to procure the like from India, is to employ so many to no profit that might otherwise be profitably employed. For there can be no want of profitable employment so long as England is not built, beautified, and improved to the utmost perfection ; so long as we either have or can produce any thing that others want, or that they have any thing that we want.

“ We are very fond of being restrained to the consumption of English manufactures, and, therefore, contrive laws either directly or by high customs, to prohibit all that come from foreign countries. By this time 'tis easy to see some of the natural consequences of this prohibition :—

“ 'Tis to oblige things to be provided by the labour of many, which might as well be done by few ; 'tis to oblige many to labour to no purpose, to no profit of the kingdom, nay, to throw away their labour which otherwise might be profitable. 'Tis to provide the conveniences of life at the dearest and most expensive rates, to labour for things that might be had without. 'Tis all one as to bid us refuse bread or clothes, though the providence of God or bounty of our neighbours should bestow them on us ; 'tis all one as to destroy an engine or navigable river, that the work which is done by few may be done by many.

“ As often as I consider these things, I am ready to say with myself, that God has bestowed his blessings upon men that have neither hearts

nor skill to use them. For, why are we surrounded with the sea? Surely that our wants at home might be supplied by our navigation into other countries. By this we taste the spices of Arabia, yet never feel the scorching sun that brings them forth; we shine in silks which our hands have never wrought; we drink of vineyards which we never planted; the treasures of those mines are ours, in which we have never digged; we only plough the deep and reap the harvest of every country in the world.”\*

But these arguments, however conclusive and unanswerable they may now appear, made but little impression when they were published; and an Act was soon after passed prohibiting the importation of East India manufactured goods for home consumption.

The commercial and financial writings of Dr. Davenant, Inspector-General of Imports and Exports in the reign of Queen Anne, were published in the interval between 1695 and 1711. Though a partisan of the mercantile system, Dr. Davenant had emancipated himself from many of the prejudices of its more indiscriminate and zealous supporters. He considers a watchful attention to the balance of trade, and its “right government,” as of the highest importance; but he does not consider wealth as consisting exclusively of gold or silver; or that prohibitions and restrictions should be rashly imposed, even on the intercourse with those countries

\* Pp. 51, 52, &c. It is probable that Addison had the concluding paragraph now quoted in his eye when he wrote his admirable paper on Commerce. See *Spectator*, No. 69.

with which the balance is supposed to be unfavourable. I am, however, very far from thinking, that the commercial writings of Dr. Davenant deserve the eulogies that have been bestowed on them ; or that they had any material effect in accelerating the progress of sound commercial science. They do not contain a single principle that is not to be found in the work of Sir Josiah Child. Some of Dr. Davenant's paragraphs are exceedingly good ; but the treatises of which they form a part are remarkably inconclusive, and are for the most part founded on narrow and illiberal principles. There is no evidence to show that Dr. Davenant was at all aware of the influence of commerce in facilitating the production of wealth, by enabling the inhabitants of each particular country to devote themselves, in preference, to those employments for the successful prosecution of which they have some natural advantage.\*

In 1734, Jacob Vanderlint, who describes himself as a tradesman, published his tract, entitled, *Money answers all Things*. Mr. Stewart has referred to this tract in the *Appendix* to his valuable

\* The progress of enlarged and liberal opinions with regard to commerce seems to have been in no small degree counteracted by the publication of the *British Merchant*. This work was written by some of the first merchants of the time, and was intended to expose the alleged defects in the commercial treaty with France negotiated by Queen Anne's Tory administration in 1713. It consists of a series of papers published weekly, and afterwards collected in three volumes. Public opinion being very much against the treaty, the *British Merchant* enjoyed a large share of popularity. Its authors appear to have been thoroughly imbued with all the prejudices of the mercantile sect ; and the work is now only deserving of notice as containing the fullest exposition of their peculiar doctrines.

*Life of Dr. Smith*, and has quoted some passages, illustrative of the advantages of commercial freedom, which, he truly says, “will bear a comparison, both in point of good sense and of liberality, with what was so ably urged by Mr. Hume twenty years afterwards, in his *Essay on the Jealousy of Trade*.” Vanderlint closes his pamphlet with an argument in favour of the substitution of a territorial tax in place of every other—an idea borrowed from Locke, and subsequently adopted by the French economists.

In 1744, Sir Matthew Decker, an extensive merchant, published his *Essay on the Causes of the Decline of Foreign Trade*. This essay has been frequently referred to by Dr. Smith, and it deserved his notice. Sir Matthew is a most intelligent and decided enemy of all *restrictions, monopolies, and prohibitions whatever*. To give full freedom to industry—he proposes that all *corporation privileges* should be abolished; and that all the existing taxes should be repealed, and replaced by a *single tax* laid on the consumers of luxuries, proportionally to their incomes. The following extracts will give an idea of the spirit which pervades Sir Matthew’s work, and of the ability with which it is written:—

“ Trade cannot, will not, be forced; let other nations prohibit, by what severity they please, interest will prevail; they may embarrass their own trade, but *cannot hurt a nation, whose trade is free, so much as themselves*. Spain has prohibited our woolens; but had a reduction of our taxes brought them to their natural value only, they would be

the cheapest in Europe of their goodness; consequently must be more demanded by the Spaniards, be smuggled into their country in spite of their government, and sold at better prices; their people would be dearer clothed, with duties and prohibitions, than without, consequently must sell their oil, wine, and other commodities, dearer; whereby other nations, raising the like growths, would gain ground upon them, and their balance of trade grow less and less. But should we, for that reason, prohibit their commodities? By no means; for the dearer they grow, no more than what are just necessary will be used; *their prohibition does their own business*; some may be necessary for us; *what are so, we should not make dearer to our own people*; some may be proper to assort cargoes for other countries, and why should we prohibit our people that advantage? **WHY HURT OURSELVES TO HURT THE SPANIARDS?** If we would retaliate effectually upon them for their ill-intent, handsome premiums given to our plantations to raise the same growths as Spain might enable them to supply us cheaper than the Spaniards could do, and establish a trade they could never return. Premiums may gain trade, but *prohibitions will destroy it.*”\*

Sir Matthew applies the same argument to expose the absurdity and injurious effect of our restraints on the trade with France. “Would any wise dealer in London,” he asks, “buy goods of a Dutch shopkeeper for 15d. or 18d. when he could

\* P. 163.

have the same from a French shopkeeper for 1s. ? Would he not consider, that, by so doing, he would empty his own pockets the sooner, and that, in the end, he would greatly injure his own family by such whims ? And *shall this nation commit an absurdity that stares every private man in the face ?* — The certain way to be secure is to be more powerful, that is, to extend our trade as far as it is capable of ; and as restraints have proved its ruin, to reject them, and *depend on freedom for our security* ; bidding defiance to the French, or any nation in Europe, that took umbrage at our exerting our natural advantages.”\*

Of a work so well known as Mr. Hume’s *Political Essays*, published in 1752, it is almost superfluous to speak. The ability with which he has combated the prejudices against the French trade, and exposed the absurdity of the dread of being deprived of a sufficient supply of bullion ; the liberality and expansion of his views respecting commerce in general ; and the beauty of his illustrations, cannot be too highly praised. It did not, however, enter into Mr. Hume’s plan to give a systematic view of the effects of commerce, nor has he instituted any analysis of the sources of wealth. Mr. Harris has endeavoured to supply the latter deficiency ; and his *Essay upon Money and Coins*, published in 1757, is, perhaps, on the whole, the best economical treatise that had appeared previously to the publication of the *Wealth of Nations*. I have already noticed

the mistake of Mr. Harris in supposing that it was more profitable to import durable rather than rapidly consumable commodities ; and, as a writer on commerce, he is undoubtedly very inferior to either Sir Dudley North or Sir Matthew Decker. But the comprehensive and able manner in which he has treated the subject of money ; the skill with which he has illustrated the effects of the division of labour in facilitating production and increasing wealth ; and the near approach he has made to some of the fundamental doctrines of Dr. Smith, if they do not give him a pre-eminence, certainly place him in the first rank among his precursors.

The extensive treatise, entitled, “ *An Inquiry into the Principles of Political Economy*,” by Sir James Steuart, was published in 1767, in two vols. 4to. This work, though intended to serve as an exposition, or systematic view of the principles of the mercantile system, is by no means destitute of enlarged and ingenious views. The first book treats of the mutual action and re-action of population and agriculture, and contains several passages in which the true theory of population is set in the clearest and most striking light. There are, besides, many judicious observations interspersed throughout the rest of the work, more especially in those parts which treat of money and exchange. It must, however, be acknowledged, that even when they are sound, the statements and reasonings are singularly perplexed, tedious, and inconclusive. Sir James had no clear idea of the real source of wealth, or of

the means by which it may be rendered most productive ; and even as an exposition of the mercantile system, his work is certainly inferior to the *Lezioni* of Genovesi, published three years previously. Though Dr. Smith was well acquainted with Sir James Steuart, he has not once referred to his treatise ; and if we except those parts of his first book in which he treats of the progress of population, it is difficult to discover what he could have learned from him, that he might not have equally learned from others.

I have been induced to treat of the progress of economical science in England at such considerable length, partly on account of the interest and importance of the subject, and because it has hitherto been very imperfectly investigated ; and partly because it was necessary, in order to form a just estimate of the merits of Dr. Smith, to show what had been accomplished previously to the publication of the “Wealth of Nations.”\* M. Say and some other continental writers contend, that the Italians

\* It will readily occur, that among the immense number of tracts on commercial and financial subjects, published in the seventeenth century, and during the early part of the eighteenth, there must be many besides those I have now referred to, in which sound principles are occasionally advanced. But I think I am entitled to say, after a pretty careful investigation, that I have specified most of those in which any of the distinguishing and peculiar prejudices of the age were openly attacked, or in which any of those germinal truths were elicited that have subsequently served as the foundation of systems. There are many interesting passages, and just and valuable remarks, in the tracts of Misselden, Lewis Roberts, Roger Coke, Graunt, &c. and in the *Britannia Languens*, and other anonymous publications ; but so far as I know, none of them bears so directly on the principles of the science as those I have quoted.

and French were the first who discovered and established the correct principles of commercial intercourse. But the details that have now been given prove the indisputable priority of the English. The economical works of the early Italian writers, Davanzati, Serra, Turbolo, and Scaruffi, are almost wholly occupied with discussions respecting the effects of a forced reduction of the standard of money. They deserve credit for having opposed all tampering with the currency ; but the arguments they employ to show its injustice and impolicy, are stated with much greater brevity and force in Sir Robert Cotton's speech\* before the Privy Council in 1626. The *Discorso Economico* of

\* This speech was originally printed in 1641 as the speech of Sir Thomas Rowe at the Council table in July 1640, with respect to brass money. But there is not a sentence in the speech that has any reference to any such subject, the whole relating to a project for enfeebling the standard of the coin. It was again printed in 1651, with some additions, as the speech of Sir Robert Cotton at the Council table, the 2d September 1626. And as it is known that a project for reducing the standard was then entertained, it seems most probable that Sir R. Cotton was its real author. But to whichever of these learned persons the honour of making this speech may be justly due, it is not too much to say that the injustice and impolicy of debasing the standard have never been more successfully demonstrated.

A "Discourse of Coin and Coinage" by Rice Vaughan, Esq. which has occasionally been referred to, was published in 12mo. in 1675. This is a very complete and valuable treatise ; and is indeed but little inferior to any that have since appeared. We learn from the dedication that it was a posthumous publication ; and had most probably been written several years previously.

The *Traité Historique des Monnoyes de France*, by M. Leblanc, published in 1689, is one of the best of the early treatises on money. It contains a vast deal of authentic information with respect to the history of French money, and the successive changes and debasements it has undergone, from the earliest ages of the monarchy.

Bandini, the earliest commercial writer whose works have been thought worthy of a place in the voluminous collection of Italian works on Political Economy,\* was published so late as 1737. The essays of Belloni and Algarotti *On Commerce*, both very inferior to those of Sir Josiah Child and Sir Dudley North, were published, the former in 1750, and the latter in 1763.

The French have still less claim than the Italians to be considered the discoverers of the true principles of commerce. The *Détail de la France*, an anonymous publication, by Pierre le Pesant, Seigneur de Bois Guilbert, published in 1695, is, I believe, the earliest French work in which sound principles are developed, with respect to the functions of money, the freedom of commerce, and the equality of taxation. It is exceedingly prolix and ill arranged; but it deserves to be referred to not so much on account of the correctness of most of its views, as for the authentic information it communicates with respect to the state of France at the period when it was written, and as it exhibits the sentiments that were then beginning to be entertained by intelligent persons with respect to the abuses in the system of administration. The author is particularly severe on the restraints which had been imposed on the freedom of the corn trade; and he has exposed the unfairness, inequality, and injurious operation of the *taille*, tithe, and other burdens,

\* *Scrittori Classici Italiani di Economia Politica.* This collection of the works of her economical writers does honour to Italy. It was begun in 1803, and finished in 1805, in 50 volumes 8vo.

with a freedom and boldness that alarmed those who were interested in their support. In consequence of the persecution that was thus excited against him, M. de Guibert was deprived of his place of Advocate-General in the *Cour des Aides* in Normandy, and exiled to a distant part of the kingdom, where he ended his days in disgrace and poverty—a sacrifice to the vindictive spirit of the clergy and noblesse.

Twelve years after the publication of the *Détail de la France*, appeared the *Dixme Royale* of the famous Marshal Vauban. This work is equally creditable to the heart and head of its illustrious author. Though high in the favour of Louis XIV. by whom he had been advanced to the first dignities of the state, Marshal Vauban did not suffer his gratitude to his Prince to efface his sense of the duty which he owed to his country. In this work, a manuscript copy of which he himself placed in the hands of the King, he has not only borne, in express terms, the most unequivocal testimony to the truth of all that had been stated by M. de Guibert, with respect to the gross inequality of the system of taxation, and the frauds and extortion practised by those employed in the collection of the revenue; but he has added many new and striking details of his own, to prove the miserable state to which the people were reduced from these abuses, and from the increased demands that were made upon them in consequence of the growing wants of the state. In order to remedy these grievances, and especially to get rid of the exemptions from taxation, enjoyed by the

nobility and clergy, Marshal Vauban proposed that all the existing taxes should be repealed, and that they should be replaced by a single tax, or *Dixme Royale*, made equally to affect all the lands of the kingdom. It is unnecessary to enter into any details with respect to this plan. Its enemies contended at the time that it was impracticable, and it is now very generally allowed that they were right in that opinion. Marshal Vauban died about the time that his work appeared; and had it not been for that circumstance, it may be doubted, considering the power and influence of the classes whose privileges and oppressive proceedings he had so fearlessly exposed, whether his unimpeachable integrity, his transcendant talents as an engineer, the signal services he had rendered to his country, or even his credit at Court, could have saved him from a fate similar to that of M. de Guibert.\*

It ought, however, to be observed, that the works of M. de Guibert and Marshal Vauban are chiefly of a political cast; the discussions involving the consideration of the principles and conclusions of economical science occupying only a subsidiary and subordinate place in them: And it is for this reason that they are not generally reckoned, by the French themselves, among those writers who first contributed to the establishment of the sound principles of commercial intercourse.

It might have been supposed that the discussions which grew out of the disordered state of the

\* The *Dixme Royale* was published in 4to. at Rouen, in 1707. Marshal Vauban died 30th March, same year.

finances in the latter part of the reign of Louis XIV., the projects of Law, and the bankruptcy in which they terminated, would have enabled the French writers to throw considerable light on many parts of the theory of money and taxation. But this does not seem to have been the case ; and, with the exception of a *Mémoire* on the state of the Finances, at the death of Louis XIV, by a Committee of the Council of State, and a *Mémoire* subsequently presented by Law to the Duc d'Orleans, which contains some just, intermingled with many erroneous views,\* none of the tracts published at that period, that I have been fortunate enough to meet with, deserves any particular notice. So slow, indeed, was the progress of enlarged and liberal opinions, with respect to these subjects in France, that even Montesquieu has a chapter, entitled “ *A quelles nations il est désavantageux de faire le commerce.*”†

\* These *Mémoires* are printed in the last volume of the *Recherches et Considerations sur les Finances de France*, by Forbonnais. The principles advanced in Law's *Mémoire* are substantially the same with those he had previously developed in his Treatise entitled *Money and Trade Considered*, published at Edinburgh, in 1705.

† Maupertuis, in his *Eloge de Montesquieu*, candidly admits that France is indebted for the science of commerce, finance, and population, or of Political Economy, to England. The passage is curious : “ Comme le plan de Montesquieu,” he observes, “ renfermoit tout ce qui peut être utile au genre humain, il n'a pas oublié cette partie essentielle qui regarde le commerce, les finances, la population : Science si nouvelle parmi nous, qu'elle n'y a encore point de nom.—C'est chez nos voisins qu'elle est née ; et elle y demeura jusque à ce que M. Melon lui fit passer le mer.”

Melon's work, *Essai Politique sur le Commerce*, was published in 1734.—It is entirely founded on the principles of the mercantile system. Mr. Bindon translated it into English, and published it

M. de Gournay, who filled the place of Intendant of Commerce in France about the middle of last century, is represented by his contemporaries as a person who entertained the most comprehensive and liberal opinions with respect to commerce; and who, by his station, and reputation for talent, did a great deal to disseminate them among his countrymen. M. de Gournay did not publish any separate work of his own; but he assisted in the compilation of several; and a translation of Sir Josiah Child's Treatise, from his pen, appeared at Paris in 1752.

I am, however, disposed to think that the *Essai sur la Police des Grains*, the work of a M. Herbert, published at Berlin (Paris) in 1754, is decidedly the best of all the treatises, on any branch of commercial science, that had appeared either in France or any part of the Continent, previously to the era of M. Quesnay and the Economists. It is, indeed, in every respect, a most excellent Essay. It is clearly and ably written; and contains every argument that could be advanced to show the pernicious consequences of restrictions on the corn

along with some rather valuable annotations and remarks, at Dublin in 1739.

Melon had advocated the ruinous policy of raising the denomination of the coin. This gave occasion to the publication of a very acute work by Dutot, entitled, *Réflexions Politiques sur les Finances et le Commerce*, 2 tomes, 12mo, 1738. Dutot's work was in its turn very ably criticised by Duverney, in his *Examen des Réflexions Politiques sur les Finances, &c.* 2 tomes, 12mo, 1740. These works contain a great deal of very curious and interesting information respecting the French finances. Duverney's account of the *Mississippi Scheme* is particularly good.

trade, and the advantages of freedom, with the exception of those that have been deduced from the new doctrines with respect to rent and profits.

But the efforts hitherto made by the English and French writers were alike ineffectual to the subversion of the mercantile system. Their opinions respecting the nature of wealth were confused and contradictory; and as they neither attempted to investigate its sources with sufficient care, nor to trace the causes of national opulence, their arguments in favour of a liberal system of commerce had somewhat of an empirical aspect, and failed of making that impression which is always made by reasonings logically deduced from well-established principles, and shown to be consistent with experience. We have seen that Mr. Locke entertained very correct opinions respecting the paramount influence of labour in the production of wealth; but he did not prosecute his investigations in the view of elucidating the principles of the science, and made no reference to them in his subsequent writings. And though Mr. Harris adopted Mr. Locke's views, and deduced from them some practical inferences of great importance, his general principles are merely introduced by way of preface to his *Treatise on Money*, and are not explained at any length, or in that logical and systematic manner that is necessary in scientific investigations.

But, what had hitherto been left undone was now attempted by a French philosopher, equally distinguished for the subtilty and originality of his understanding, and the integrity and simplicity

of his character. This was the celebrated M. Quesnay, a physician, attached to the court of Louis XV. He has the unquestionable merit of being the first who attempted to investigate and analyze the sources of wealth, *with the intention of ascertaining the fundamental principles of Political Economy*; and who, in consequence, gave it a systematic form, and raised it to the rank of a science. Quesnay's father was a small proprietor, and having been educated in the country, he was naturally inclined to regard agriculture with more than ordinary partiality. At an early period of his life he had been struck with its depressed state in France, and had set himself to discover the causes which had prevented its making that progress which the industry of the inhabitants, the fertility of the soil, and the excellency of the climate, seemed to insure. In the course of this inquiry he speedily discovered that the prevention of the exportation of corn to foreign countries, and the preference given by the regulations of Colbert to the manufacturing and commercial classes over the agriculturists, had formed the most powerful obstacles to the progress and improvement of agriculture. But Quesnay was not satisfied with exposing the injustice of this preference, and its pernicious consequences. His zeal for the interests of agriculture led him, not merely to place it on the same level with manufacturers and commerce, but to raise it above them,—by endeavouring to show that it was the only species of industry which contributed to increase the riches of a nation. Founding on the indisputable

fact, that every thing that either ministers to our wants or gratifies our desires, must be originally derived from the earth, Quesnay assumed as a self-evident truth, and as the basis of his system, that the *earth is the only source of wealth*; and held that industry was altogether incapable of producing any new value, except when employed in agriculture, including under that term fisheries and mines. His observation of the striking effects of the *vegetative* powers of nature, and his inability to explain the real origin and causes of *rent*, confirmed him in this opinion. The circumstance, that of those who are engaged in industrious undertakings, none but the cultivators of the soil paid rent for the use of *natural agents*, appeared to him an incontrovertible proof, that agriculture was the only species of industry which yielded a net surplus (*produit net*) over and above the expenses of production. Quesnay allowed that manufacturers and merchants were highly useful; but, as they realised no net surplus in the shape of rent, he contended they did not add any greater value to the raw material of the commodities they manufactured or carried from place to place, than was just equivalent to the value of the capital or stock consumed by them during the time they were necessarily engaged in these operations. These principles once established, Quesnay proceeded to divide society into three classes; the *first*, or *productive* class, by whose agency all wealth is produced, consists of the farmers and labourers engaged in agriculture, who subsist on a portion of the produce of the land reserved to themselves as

the wages of their labour, and as a reasonable profit on their capital ; the *second*, or *proprietary* class, consists of those who live on the rent of the land, or on the *net surplus produce* raised by the cultivators after their necessary expenses have been deducted ; and the *third*, or *unproductive* class, consists of manufacturers, merchants, menial servants, &c., whose labour, though exceedingly useful, adds nothing to the national wealth, and who subsist entirely on the wages paid them by the other two classes. It is obvious, supposing this classification made on just principles, that all taxes must fall on the landlords. The third, or unproductive class, have nothing but what they receive from the other two classes ; and if any deduction were made from the fair and reasonable profits and wages of the husbandmen, it would have the effect to paralyse their exertions, and consequently to spread poverty and misery throughout the land, by drying up the only source of wealth. It necessarily follows, therefore, on M. Quesnay's theory, that the entire expenses of government, and the various public burdens, must, howsoever imposed, be ultimately defrayed out of the *produit net*, or rent of the landlords ; and, consistently with this principle, he proposed that all the existing taxes should be repealed, and that a single tax, (*Impot unique*,) laid directly on the net produce, or rent, of the land, should be imposed in their stead.

But, however much impressed with the importance of agriculture over every other species of in-

dustry, Quesnay did not solicit for it any exclusive favour or protection. He successfully contended that the interests of the agriculturists, and of all the other classes, would be best promoted by establishing a system of perfect freedom. "Qu'on maintienne," says he in one of his general Maxims, "l'entièr<sup>e</sup> liberté du commerce ; car la police du commerce intérieur et extérieur la plus sûre, la plus exacte, la plus profitable à la nation et à l'état, consiste dans LA PLEINE LIBERTE DE LA CONCURRENCE."\* Quesnay showed that it could never be for the interest of the proprietors and cultivators of the soil to fetter or discourage the industry of merchants, artificers, and manufacturers ; for the greater the liberty they enjoy, the greater will be their competition, and their services will, in consequence, be rendered so much the cheaper. Neither, on the other hand, can it ever be for the interest of the unproductive class to harass and oppress the agriculturists, either by preventing the free exportation of their products, or by any restrictive regulations whatsoever. When the cultivators enjoy the greatest degree of freedom, their industry, and, consequently, their net *surplus produce*—the only fund from which any accession of national wealth can be derived—will be carried to the greatest possible extent. According to this "liberal and generous system,"† the establishment of perfect liberty, perfect security, and perfect justice, is the only, as it is the infallible, means of se-

\* *Physiocratie*, première partie, p. 119.

† *Wealth of Nations*, book iv. cap. 9.

curing the highest degree of prosperity to all classes of the society.\*

\* That M. Quesnay is entitled to the merit of originality cannot be disputed. It is certain, however, that he had been anticipated in several of his peculiar doctrines by some English writers of the previous century. The fundamental principles of the economical system are distinctly and clearly stated in a tract entitled *Reasons for a limited Exportation of Wool*, published in 1677. "That it is of the greatest concern and interest of the nation," says the author of the tract, "to preserve the nobility, gentry, and those to whom the land of the country belongs, at least, much greater than a few artificers employed in working the superfluity of our wool, or the merchants who gain by the exportation of our manufactures, is manifest—1. Because they are the *masters and proprietaries of the foundation of all the wealth in this nation, all profit arising out of the ground which is theirs.* 2. *Because they bear all taxes and public burdens;* which, in truth, are only borne by those who buy, and sell not; all sellers, raising the price of their commodities, or abating of their goodness, according to their taxes."—p. 5.

In 1696, Mr. Asgill published a treatise entitled *Several Assertions Proved, in order to Create Another Species of Money than Gold*, in support of Dr. Chamberlayne's proposition for a Land Bank. The following extract from this treatise breathes, as Mr. Stewart has justly observed, in his Life of Dr. Smith, the very spirit of Quesnay's philosophy:—

"What we call commodities is nothing but land severed from the soil—*Man deals in nothing but earth.* The merchants are the factors of the world, to exchange one part of the earth for another. The king himself is fed by the labour of the ox: and the clothing of the army and victualling of the navy must all be paid for to the owner of the soil as the ultimate receiver. All things in the world are originally the produce of the ground, and there must all things be raised."—(This passage has been quoted in Lord Lauderdale's *Inquiry into the Nature and Origin of Public Wealth*, 2d ed. p. 109.)

These passages are interesting, as exhibiting the first germs of the theory of the Economists. But there is no reason whatever to suppose that Quesnay was aware of the existence of either of the tracts referred to. The subjects treated in them were of too local a description to excite the attention of foreigners; and Quesnay was too candid to conceal his obligations, had he really owed them any. It is probable he may have seen Mr. Locke's treatise on *Raising the Value*

“ On a vu,” says the ablest expositor of this system, M. Mercier de la Riviere, “ qu'il est de l'essence de l'ordre que l'interet particulier d'un seul ne puisse jamais être separée de l'interet commun de tous ; nous en trouvons une preuve bien convaincante dans les effets que produit naturellement et necessairement la plénitude de la liberté qui doit regner dans le commerce, pour ne point blesser la propriété. L'interet personnel encouragée par cette grande liberté, presse vivement et perpetuellement chaque homme en particulier, de perfectionner, de multiplier les choses dont il est vendeur ; de grossir ainsi la masse des jouissances qu'il peut procurer aux autres hommes, afin de grossir, par ce moyen, la masse des jouissances que les autres hommes peuvent lui procurer en échange. *Le monde alors va de lui-même* ; le desir de jouir, et la liberté de jouir, ne cessant de provoquer la multiplication des productions et l'accroissement de l'industrie, ils impriment à toute la société, un mouvement qui devient une tendance perpetuelle vers son meilleur état possible.”\*

It would greatly exceed the limits of this brief sketch, to enter into a full examination of the principles of this very ingenious theory. It is sufficient for my present purpose to remark, that, in assuming agriculture to be the only source of wealth, because the matter of which all commodi-

*of Money*, where the idea is thrown out that all taxes fall ultimately on the land. But there is an immeasurable difference between the suggestion of Locke and the well-digested system of Quesnay.

\* *L'Ordre Naturel et Essentiel des Sociétés Politiques*, tome ii.  
p. 444.

ties are composed must be originally derived from the earth, M. Quesnay and his followers mistook altogether the nature of production, and really supposed wealth to consist of matter ; whereas, in its natural state, matter is very rarely possessed of immediate and direct utility, and *is always destitute of value*. It is only by means of the *labour* which must be laid out in appropriating matter, and in fitting and preparing it for our use, that it acquires exchangeable value, and becomes wealth. Human industry does not produce wealth by making any additions to the matter of our globe ; this being a quantity susceptible neither of augmentation nor diminution. Its real and only effect is to produce wealth *by giving utility to matter already in existence* ; and it has been repeatedly demonstrated, that the labour employed in manufactures and commerce is just as productive of utility, and consequently of wealth, as the labour employed in agriculture. Neither is the cultivation of the soil, as M. Quesnay supposed, the only species of industry which yields a surplus produce after the expenses of production are deducted. When agriculture is most productive, that is, when none but the most fertile soils are cultivated, no rent, or *produit net*, is obtained from the land ; and it is only after recourse has been had to poorer soils, and when, consequently, the productive powers of the labour and capital employed in cultivation begin to diminish, that rent begins to appear : So that, instead of being a consequence of the superior productiveness of agricultural industry, rent is

really a consequence of its becoming less productive than others !

The *Economical Table*, a formula constructed by M. Quesnay, and intended to exhibit the various phenomena attendant on the production of wealth, and its distribution among the productive, proprietary, and unproductive classes, was published at Versailles, with accompanying illustrations, in 1758 ; and the novelty and ingenuity of the theory which it expounded, its systematic and scientific shape, and the liberal system of commercial intercourse which it recommended, speedily obtained for it a very high degree of reputation. It is to be regretted that the friends and disciples of Quesnay, among whom we have to reckon the Marquis de Mirabeau, Mercier de la Riviere, Dupont de Nemours, Saint Peravy, Turgot, and other distinguished individuals, in France, Italy, and Germany, should, in their zeal for his peculiar doctrines, which they enthusiastically exerted themselves to defend and propagate, have exhibited more of the character of partisans, than of (what there is the best reason to think they really were) sincere and honest inquirers after truth. Hence it is that they have always been regarded as a sect, known by the name of *Economists*, or *Physiocrats* ; —and that their works are characterised by an unusual degree of sameness.\*

\* The following are the principal works published by the French Economists :—

*Tableau Economique, et Maximes Générales du Gouvernement Economique*, par François Quesnay, 4to, Versailles, 1758.

*Théorie de l'Impôt*, par M. de Mirabeau, 4to and 12mo, 1760.

But, in despite of all these defects, there can be no question that the labours of the French Economists powerfully contributed to accelerate the progress of economical science. In reasoning on subjects connected with national wealth, it was now found to be necessary to subject its sources, and the laws which regulate its production and distribution, to a more accurate and searching analysis. In the course of this examination, it was speedily ascertained that both the mercantile and economical theories were erroneous and defective ; and that, to establish the science of Political Economy on a firm foundation, it was necessary to

*La Philosophie Rurale*, par M. de Mirabeau, 4to, and 3 tomes 12mo, 1763.

*L'Ordre Naturel et Essentiel des Sociétés Politiques*, par Mercier de la Riviere, 4to, and 2 tomes 12mo, 1767.

*Sur l'Origine et Progrès d'une Science Nouvelle*, par Dupont de Nemours, 1767.

*La Physiocratie, ou Constitution Naturelle du Gouvernement le plus avantageux au Genre Humain*, Recueil des Principaux Ouvrages Economiques de M. Quesnay, rédigé et publié par Dupont de Nemours, 2 Parties, 1767.

*Lettres d'un Citoyen à un Magistrat, sur les Vingtièmes et les autres Impôts*, par l'Abbé Baudeau, 1768.

*Mémoire sur les Effets de l'Impôt indirect ; qui a remporté le Prix proposé par la Société Royale d'Agriculture de Limoges*, par Saint Pe-ravy, 12mo, 1768.

*Réflexions sur la Formation, et la Distribution des Richesses*, par Turgot, 8vo, 1771. This is the best of all the works founded on the principles of the Economists ; and is, in some respects, the best work on Political Economy published previously to the Wealth of Nations.

The *Journal d'Agriculture, &c.* and the *Ephemerides du Citoyen*, contain a variety of valuable articles by Quesnay and other leading Economists. The *Ephemerides* was begun in 1767, and was dropped in 1775 ; it was first conducted by the Abbé Baudeau, and then by Dupont.

take a much more extensive survey, and to seek for its principles, not in a few partial and distorted facts, or in metaphysical abstractions, but in the connexion and relation subsisting among the various phenomena manifested in the progress of civilization. The Count di Verri, whose *Meditations on Political Economy* were published in 1771, demonstrated the fallacy of the opinions entertained by the French Economists respecting the superior productiveness of the labour employed in agriculture ; and showed that all the operations of industry really consist of *modifications of matter already in existence.*\* But Verri did not trace the consequences of this important principle ; and, possessing no clear and definite notions of what constituted wealth, did not attempt to discover the means by which labour might be facilitated. He made some valuable additions to particular branches of the science, and had sufficient acuteness to detect errors in the systems of others ; but the task of constructing a better system in their stead required talents of a far higher order.

\* *Accostare et separare* sono gli unici elementi che l'ingegno umano ritrova analizzando l'idea della riproduzione ; e tanto è riproduzione di valore e di ricchezza se la terra, l'aria, e l'aqua ne' campi si trasmutino in grano, come se colla mano dello uomo il gluttine di un insetto si trasmuti in velluto, o vero alcuni pezzetti di metallo si organizzino a formare una ripetizione.— *Meditazioni sulla Economia Politica*, § 3.

## II. PUBLICATION OF THE “WEALTH OF NATIONS”— PRINCIPAL MERITS AND DEFECTS OF THAT WORK.

In 1776, our illustrious countryman, Adam Smith, published the “Wealth of Nations,”—a work which has done for Political Economy what the *Essay of Locke* did for the philosophy of mind. In this work the science was, for the first time, treated in its fullest extent ; and the fundamental principles on which the *production* of wealth depends, were established beyond the reach of cavil and dispute. In opposition to the French Economists, Dr. Smith has shown that *labour* is the only source of wealth, and that the wish to augment our fortunes and to rise in the world—a wish that comes with us from the womb, and never leaves us till we go into the grave—is the cause of wealth being saved and accumulated : He has shown that labour is productive of wealth when employed in manufactures and commerce, as well as when it is employed in the cultivation of the land : He has traced the various means by which labour may be rendered most effective ; and has given a most admirable analysis and exposition of the prodigious addition made to its powers by its *division* among different individuals, and by the employment of accumulated wealth, or *capital*, in industrious undertakings. Dr. Smith has also shown, in opposition to the commonly received opinions of the

merchants, politicians, and statesmen of his time, that wealth does not consist in the abundance of gold and silver, but in the abundance of the various necessaries, conveniences, and enjoyments of human life: He has shown that it is in every case sound policy, to leave individuals to pursue their own interest in their own way; and that, in prosecuting branches of industry advantageous to themselves, they necessarily prosecute such as are at the same time advantageous to the public. He has shown at great length, and with a force of reasoning, and amplitude of illustration, that leaves nothing to be desired, that the principles of the mercantile or exclusive system are at once inconsistent and absurd; and that every regulation intended to force industry into particular channels, or to determine the species of commercial intercourse to be carried on between different parts of the same country, or between distant and independent countries, is impolitic and pernicious—injurious to the rights of individuals—and adverse to the progress of *real* opulence and lasting prosperity. “The statesman,” he observes, “who should attempt to direct private people in what manner they ought to employ their capitals, would not only load himself with a most unnecessary attention, but assume an authority which could safely be trusted, not only to no single person, but to no senate or council whatever; and which would nowhere be so dangerous as in the hands of a man who had folly and presumption enough to fancy himself fit to exercise it.”\*

\* Book iv. cap. 2.

But, however excellent in many respects, still it cannot be denied that there are errors, and those too of no slight importance, even in those parts of the “Wealth of Nations” which treat of the production of wealth. So long as Dr. Smith confines himself to an exposition of the advantages derived from the freedom of industry and of the injurious operation of the restraints by which its natural development has been curbed and fettered, his principles and reasonings are equally sound and conclusive. But they are less so in other instances. He does not say that in prosecuting such branches of industry as are *most advantageous* to themselves, individuals necessarily prosecute such as are at the same time *most advantageous to the public*. His leaning to the system of the Economists—a leaning perceptible in every part of his work—made him so far swerve from the principles of his own system, as to admit that individual advantage is not always a *true test* of the public advantageousness of different employments. He considered agriculture, though not the only productive employment, as the most productive of any; and he considered the home trade as more productive than a direct foreign trade, and the latter than the carrying trade. It is clear, however, that these distinctions are all fundamentally erroneous. A state being nothing more than a collection of individuals, it necessarily follows, that whatever is most advantageous to them individually must be most advantageous to the state; and it is obvious, that the self-interest of those concerned will always prevent them from engaging in manufactures and commerce, unless

when they yield as large profits, and are, consequently, as publicly beneficial as agriculture.

In showing that the labour of manufacturers and merchants is *productive*, Dr. Smith made a very great improvement on the system of the Economists. But his theory on this important point is, notwithstanding, essentially incomplete and defective. He limits his idea of productive labour to that which is “fixed and realised in some vendible commodity;” whereas all labour ought plainly to be held as productive, if it yields a revenue to the labourer without lessening the revenue of the society in which it is exerted. In fact, it is only by means of the security and protection afforded by the exertions of some of those who are placed by Dr. Smith in the unproductive class, that the quantity of those material products on which he has exclusively fixed his attention, can ever become considerable, or that society can emerge from barbarism.

I am, however, inclined to think, that the principal defect of the “Wealth of Nations,” and the source from which most of the errors that infect it have been derived, consists in the erroneous doctrines Dr. Smith has advanced with respect to the circumstances which determine the value of commodities and the rise and progress of rent. He has truly stated, that in that remote period which preceded the accumulation of capital, and the establishment of a right of property in land, the quantities of labour required to produce different commodities formed the sole determining principle of their exchangeable value, or of their relative worth as compared with each other. But he sup-

posed that after capital had been accumulated, and workmen began to be employed for the benefit of others, and after land had been appropriated and rent began to be paid, the value of commodities would no longer depend wholly on the quantities of labour required to produce them and bring them to market ; but that it would partly depend on that circumstance, and partly on the amount of profit, wages, and rent ; and that, supposing one or other of these elements to remain constant, the value of commodities would fluctuate according to the variations in the others—rising when they rose, and falling when they fell. But in making this statement, Dr. Smith forgot to remark, that the variations in question are really nothing more than *changes in the distribution* of the produce of industry, or of commodities, and that as such they cannot in any degree affect the circumstances which determine their value, or their power or capacity to exchange for or buy each other. A is a commodity produced by independent workmen which freely exchanges for, or is worth a commodity, B, also produced by independent workmen. Suppose now that the workmen who produce these commodities hire themselves to capitalists, and work on their account : it is plain that this change cannot occasion the least difference in the relation which A and B bore to each other, or in their value ; and it is farther plain, that though the wages paid to the workmen employed to produce these commodities should, on the one hand, rise from one shilling a day to five shillings, or should, on the other, fall from five shillings to one shilling, their

value would remain wholly unaltered. Whatever exerts the same proportional influence over different commodities must leave their relative values exactly where it found them. To vary their relations to each other, or their exchangeable values, *a change must be made in the circumstances under which some of them are produced which does not extend to others.* So long as they are *all equally affected*—and Dr. Smith has himself shown that, generally speaking, variations in the rate of wages and profit affect them all to precisely the same extent—it is quite impossible their value can vary. Before the relation of A to B can be disturbed, the value of A must be raised or depressed in a different ratio from that of B. This, however, it is plain, can only be done by varying the quantity of labour required to produce one or other of these commodities; for it has been repeatedly demonstrated, that such variations as take place in the rate of wages, or in the price paid for the labour by which A and B are produced, must necessarily affect them, and not only them, but all other commodities, in the *same degree* ;\* and cannot, therefore, occasion the slightest change or alteration in their relation to each other, or in their value.

Instead, therefore, of its being true, as Dr. Smith has supposed throughout his whole work, that the effect of variations in the price, or in the rate of

\* It is here assumed, in order to exemplify the principle, that the capitals employed in the production of commodities are of the same degree of durability, or that they are returnable in the same period. I shall afterwards point out the effects that differences in the durability of capitals have on the value of the commodities produced by their agency.

wages paid for the labour required to produce commodities, on their value, is the same with the effect of variations in the quantity of such labour, it is distinctly and completely different. The quantity of labour required for the production of any given commodity may vary, as compared with that required for the production of any other commodity ; and every such variation must of course occasion a change in their relation to each other, or in their value. But wherever industry is free and unfettered, variations in the rate of wages are never confined to any particular class of workmen, but equally extend to all classes whatsoever : they cannot, therefore, in any degree modify or alter the relations previously subsisting among the commodities produced by them, or their value ; and merely occasion a change in the proportions in which they are divided between the labourers and their employers.

It may also be worth while to remark, even in this short sketch of the more prominent principles advanced by Dr. Smith, that he has endeavoured to show, that corn is, upon an average, the most invariable of all commodities in its value. He founds this opinion principally on the assumption that, inasmuch as corn is the principal article of food, the number of consumers will be increased or diminished proportionally to variations in its quantity, and that “ the raising of equal quantities of corn in the same soil and climate, will, at an average, require nearly equal quantities of labour, or, what comes to the same thing, the price of nearly

equal quantities.”\* (Book i. cap. 11.) I shall have other opportunities of showing the fallacy of this doctrine ; but it is obvious, at first sight, that it is altogether untenable. Corn, though the principal part certainly, does not by any means form the whole subsistence of the labourer, and its abundance or scarcity cannot, therefore, exclusively determine the increase or diminution of population : and it is farther evident, that when population is scanty, and when, consequently, it is only necessary to cultivate soils of the highest degree of fertility, the quantity of labour required to raise corn, and, of course, its value, must be less than when population has become comparatively dense, and when, therefore, it becomes necessary to cultivate inferior lands.

The views of Dr. Smith, with respect to the rent of land, are partly just and partly erroneous. His mistakes seem to be owing to his not having made a sufficiently careful analysis of the circumstances which determine the value of raw produce in different periods of society. Had he done this, he would have seen, that instead of the principle he has laid down, that all land which yields food must, at the same time, yield rent, being universally true, that, in the earlier stages of the progress of any country, when none but the best of the good soils are cultivated, and when, consequently, the greatest quantity of food is obtained by means of a given quantity of labour, no rent is ever paid : and he

\* This is one of the many passages that might be produced to prove the identity which Dr. Smith uniformly supposes to exist between the quantity of labour required to produce a commodity, and the price paid for that quantity.

would also have seen, that although there are some circumstances among those which occasion the rise and progress, and which also limit the amount of rent, that partake of the nature of a *monopoly*, and might perhaps justify him in considering it as being, in a modified sense, and under peculiar qualifications, determined on that principle, it is notwithstanding certain, that the price of that raw produce out of which rent is paid, is *altogether uninfluenced by its payment*, and would not be affected though it were entirely relinquished.

In consequence of the incorrectness of the opinions entertained by Dr. Smith, on two such important and fundamental points as the value of commodities, and the nature and causes of rent, many of the principles which pervade other parts of his work are necessarily vitiated and unsound. This is particularly the case where he investigates the circumstances which determine the rate of wages and the rate of profit ; and where he traces the ultimate incidence and practical operation of different taxes. It is true, indeed, that these, as well as all the other parts of the “ Wealth of Nations,” are enriched with numerous profound and valuable remarks and disquisitions ; but it is at the same time essential to separate between them and the theoretical doctrines with which they are mixed up. Those who implicitly adopt all Dr. Smith’s principles, assume that investigations which depend on a careful analysis and comparison of many circumstances which are constantly varying and exceedingly difficult to be correctly appreciated, could be completed by the efforts of one indi-

vidual. This, however, is really to suppose what is in the nature of things quite impossible. It is only by slow degrees, by the aid of the lights successively struck out by experience and observation, and the patient and continued researches of the most ingenious men, that sciences involving so many considerations can be perfected.

Previously to the publication of the “Wealth of Nations,” it had been almost universally supposed that the price of commodities depended on the degree of their scarcity or abundance, or as it was more commonly expressed, on the proportion which their supply bore to the demand. But Dr. Smith has shown, that when reference is made to commodities, on the production of which competition is allowed to operate without restraint, and the supply of which may be indefinitely increased, this principle holds only for a *very limited period*; and that when a more extended period is taken into view, the average market price of such commodities corresponds with their average *necessary price*, or with the *cost of their production*. And though he erred in his estimate of the elements which enter into and form the natural or necessary price of commodities, the arguments by which he has shown its general identity with the market price, and the mode in which the discrepancies that occasionally take place between them are corrected, are not affected by that circumstance, and are alike ingenious and conclusive.

Some of the most valuable chapters in the “Wealth of Nations” are those in which Dr. Smith has shown that the differences which exist be-

tween the profits made by those who have capitals vested in different employments, and between the wages paid to the workmen engaged in them, are not real but apparent. He has shown that these variations depend entirely on the peculiar circumstances connected with each employment; and that when allowance is made for them, and when they are all reduced to the same common standard, the rate of profit and the rate of wages are respectively the same, or very nearly the same, in them all. A high rate of profit in a particular business is occasioned either by the extra risk to which the capital vested in it is exposed, or by some other unfavourable circumstance connected with it; while, on the other hand, a low rate of profit is occasioned by the more than ordinary security of the capital, or by some other favourable circumstances. The case is the same with respect to wages; when they are unusually high, it proceeds either from the greater severity of the labour to be performed, or from the unhealthiness, disagreeableness, or unsteadiness of the employment; and their unusual lowness proceeds from the opposite circumstances—the lightness of the labour to be performed, or its healthiness, agreeableness, or steadiness. Nothing can exceed the skill and ingenuity which Dr. Smith has manifested in his analysis of the various topics connected with these subjects. And though the principle of the equality, or rather of the constant tendency to equality, of the profits made by the capitalists, and of the wages paid to the workmen engaged in different employments, had been previously pointed out

by others, it is to him that we are indebted for its demonstration ; and for a full and satisfactory explanation of the causes why the rate of profit in particular departments of industry, and the wages obtained by those engaged in particular businesses and professions, are so very different from the profits and wages obtained in others, without occasioning any transference of capital, or of individuals from the one to the other.

The arrangement which Dr. Smith has adopted has been described as perplexed and illogical ; and it must be confessed that this censure is in a considerable degree well-founded. The thread of the investigation is often interrupted in order to enter into a digression upon some collateral topic. But though these digressions have frequently only a very slight connexion with the main subject to be investigated in the chapter in which they are placed, they uniformly turn upon some of the most important points in the whole range of moral and political science. They are evidently the favourite topics of the author, who has displayed in their treatment all that comprehensiveness and sagacity which formed the distinguishing and peculiar features of his mind. Although, therefore, it must be admitted that these digressions are not always introduced in the best and most natural manner, they notwithstanding add prodigiously to the value of the work ; and have greatly increased the number of its readers, by rendering it as interesting as it is instructive, and recommending it to those who might have felt indisposed to study a more scientific and logically

arranged treatise, had it abounded less in collateral discussion and illustration.

Dr. Smith begins with a statement of the wonderful effects produced by the division of labour, on the productiveness of industry, and then proceeds to investigate the circumstances which determine the real and nominal (money) price of commodities, and the laws which determine the rate of wages, the profits of stock, and the rent of land. These subjects are discussed in the *first* and *second* books, which indeed contain all that strictly belongs to his theory with respect to the production and distribution of wealth. The *third* book is occupied with an investigation, partly resting on historical facts, and partly on probabilities only, of the natural progress of industry in countries in which full scope should be given to the principle of free and unrestricted competition; and of those circumstances in the policy of the different European countries which have contributed to produce the actually existing order of things; which he endeavours to show has not been the result of any theoretical views, or of the combinations of statesmen, but the necessary consequence of the peculiar situation in which they have been placed, and of the efforts of particular ranks and orders of men to advance their own interests. The *fourth* book is chiefly of a controversial character; and besides an examination of the system of the French economists, it contains a full and most masterly exposition and refutation of the principles and practical conclusions of the mercantile or exclusive system. The first half of the *fifth* and last book consists of

a series of disquisitions with respect to the principal objects on which the public revenue either is or ought to be expended ; but these, though generally excellent, undoubtedly belong more to politics than to political economy, properly so called : In the latter part of the book he investigates the principles of taxation, and the influence of national debts on the public welfare.

The style of the “Wealth of Nations” is, generally speaking, sufficiently clear and luminous ; though it cannot be denied that there is occasionally a great want of precision and distinctness in the definitions, and in the strictly scientific parts. The real scope and tendency of the doctrines it unfolds is not to be learned from particular sentences or even chapters ; and can only be properly understood and appreciated by those who have carefully studied and compared the whole work.

A considerable diversity of opinion has existed with respect to the claims of Dr. Smith to originality. And it is clear, from the extracts already made from the works of various authors, published before the “Wealth of Nations,” that he had been anticipated in the distinct statement of some of his most important doctrines, and that obvious traces of them all may be found in previous writers. Still, however, I do not think that this can be justly considered as detracting in any, or but in a very slight, degree from the real merits of Dr. Smith. In adopting the discoveries of others, he has made them his own ; he has demonstrated the truth of principles on which his predecessors had, in most cases,

stumbled by chance ; has separated them from the errors by which they were previously incumbered ; has traced their remote consequences, and pointed out their limitations ; has shown their practical importance and real value—their mutual dependence and relation ; and has reduced them into a consistent, harmonious, and beautiful system.

If the observations I have now hazarded be well founded, it will be seen that it is highly necessary that, in studying the “Wealth of Nations,” we should exercise a reasonable degree of scepticism ; and not allow our admiration of the author’s talents, or his deserved celebrity, to induce us blindly to follow his steps, or to adopt his principles, without examination. This would neither be to profit by his example nor his precepts : For he has in no instance suffered himself to be misled through mere deference to the most illustrious names, but has uniformly instituted a patient and candid examination and comparison of the various arguments alleged in favour of the different theories and opinions he has occasion to review. And though those who study his work in this mode, should in consequence be led to reject several of his doctrines and conclusions, enough will still remain to reward their industry, as well as to justify the highest admiration of the individual who in investigating, for the first time, almost all the topics belonging to so extensive and difficult a field of inquiry, should have discovered and established so many interesting and important principles, and developed them in so instructive and admirable a work.

## III.—PROGRESS OF THE SCIENCE OF POLITICAL ECONOMY SINCE THE PUBLICATION OF THE “WEALTH OF NATIONS.”

Mr. Malthus's Essay on the “*Principle of Population*,” published in 1798, was the first great contribution to the science made subsequently to the publication of the “Wealth of Nations.” The fact that the population of every country has a natural tendency not only to rise to the level of the means of subsistence, but to exceed them, had been frequently observed by previous writers, and had, among others, been very strikingly illustrated by Sir James Steuart, and the late Mr. Townsend in his “*Dissertation on the Poor Laws*,” published in 1786. But though not the original discoverer of the principle of population, Mr. Malthus was certainly the first to establish it on a secure foundation, and to show its vast consequence to a right understanding of almost all the great questions connected with the essential interests of society; and especially of those respecting the governing causes of the rate of wages and the condition of the poor. He has demonstrated, by an extensive and careful examination of the state of population in different countries, and in every stage of society, that *an increase in the means of subsistence is the only sure criterion of a real, and permanent, and beneficial increase in the numbers of*

*any people* ; that, so far from there being the least risk of population falling below the level of subsistence, the danger is *all* on the other side ; that, instead of there being a deficiency, there is, generally speaking, an excess of numbers in every country, as compared with the means of subsistence ; and that, if population were not kept down to its natural level by the prevalence of moral restraint, or of a proper degree of prudence in the formation of matrimonial connections, it would necessarily be kept down by the prevalence of vice, want, and misery.

From the remotest antiquity down to our own times, it had been the uniform policy of legislators to give an artificial stimulus to population, by encouraging early marriages, and bestowing rewards on those who had reared the greatest number of children. But the doctrines of Mr. Malthus show the mischievous nature of all such interferences with the natural progress of multiplication. They show, that every increase in the numbers of the people, occasioned by artificial expedients, and which is not either preceded or accompanied by a corresponding increase in the means of subsistence, can be productive only of misery, or of increased mortality ;—that the difficulty never is to bring human beings into the world, but to feed, clothe, and educate them when there ;—that mankind *do* every where increase their numbers, till their further augmentation is restrained by the difficulty of providing subsistence, and the poverty of some part of the society ;—and that, consequently, instead of attempting to strengthen the principle of increase, we

should invariably endeavour to control and regulate it.

A few words only will be required to satisfy the most sceptical, that the well-being and happiness of society must ever mainly depend on the degree in which the principle of increase is subjected to prudential control and regulation. Those who are least conversant with the principles of the science are aware, that the market rate of wages is exclusively dependent on the proportion which the capital of the country, or the means of employing labour, bears to the number of labourers. There is plainly, therefore, only one way of really and effectually improving the condition of the great majority of the community, or of the labouring class, and that is, *by increasing the ratio of capital to population*. If this be done, the rate of wages will be proportionally augmented, and the labourers will rise in the scale of society: but if this be not done, if the ratio of capital to population continues the same, no change will be made in their condition; and if this ratio be diminished, wages will be proportionally reduced, and the condition of the labourers changed for the worse. Unfortunately, the lower classes have very little power over the increase or diminution of the national capital, but they are all-powerful in respect to the increase or diminution of the supply of labour. And if they had only good sense and foresight sufficient to avail themselves of this power, they might, by understocking the market with labour, render their wages high, notwithstanding the demand for their services should happen to be diminished; while, if

they do not avail themselves of this power, but allow the principle of population to exert its natural tendency to overstock the market with labour, wages will be low, to whatever extent the demand for labour may be increased. It appears, therefore, that the labouring classes are in a very great degree the arbiters of their own fortune. What others can do for them is really, to use Mr. Malthus's words, but *as the dust of the balance compared with what they can do for themselves*. Nor is there any very great reason to think that their condition will ever be materially improved, until they are made acquainted with the circumstances which govern the rate of wages, and are impressed with an intimate conviction of the important and unquestionable truth, that they are themselves the masters of the *only* means by which their command of the necessaries and comforts of life can be materially extended.

These statements, though necessarily very brief and imperfect, are yet sufficient to show the fallacy of the opinions advanced by those who argue that the principles and conclusions of the "Essay on Population" are unfavourable to human happiness. The ignorant abuse with which Mr. Malthus has been so perseveringly assailed, disgraceful as it is to its authors, can have but little influence in retarding the adoption of sounder views: and the more general dissemination of the elementary principles of the science afford good grounds for hoping, that the period is not very far distant, when the prejudices and misrepresentations, so industriously propagated on this subject, will have

lost much of their influence, and when it will be generally admitted, that it is by the *condition* of the people—by the extent of their command over the necessaries and enjoyments of human life, and *not* by their *numbers*, that the power and prosperity of nations is to be estimated ; and that the extent of this command must principally depend on the prudence and discretion displayed in supplying the market with labour.\*

The *Traité d'Economie Politique* of M. J. B. Say of Paris, the first edition of which appeared in 1802, would deserve to be respectfully mentioned in a sketch of the progress of Political Economy, were it for nothing else than the effect that his well-digested and luminous exposition of the principles of Dr. Smith has had in accelerating the progress of the science on the Continent. But in addition to the merit of clear and logical arrangement, and the felicity of many of its illustrations, “it is enriched with several accurate, original, and profound discussions.”† Of these, the explanation of the real nature and causes of *gluts* is decidedly the most important and valuable. Dr. Smith had shown how the powers of production might be rendered most effective ; and M. Say has completed his doctrine by showing that no conceivable increase of these powers can ever occasion a general glut, or universal overloading of the mar-

\* These observations apply exclusively to the doctrines respecting population advocated by Mr. Malthus, and are not meant to express any approbation of that system of Political Economy, to which he has given his support.

† Preface to Mr. Ricardo's *Principles of Political Economy*.

ket.—Too much of one commodity may occasionally be produced ; but it is quite impossible there can be too great a supply of every species of commodities. For every excess there must be a corresponding deficiency. It is admitted on all hands, that however much the powers of production may be increased, such commodities as are produced in the view of being directly consumed by their producers, without the intervention of an exchange, can never be in excess ; for to suppose that *they* should be in excess, would really be to suppose a production without a motive—an effect without a cause ! It is only when commodities are carried to market and offered in exchange for others, that they can be in excess. But such commodities as are carried to market, are produced only in the view of obtaining others in exchange for them ; and the fact that any description of them is in excess, is of itself an unanswerable proof that there is a corresponding deficiency in the supply of those they were intended to exchange for, or buy. Those who offer products for sale are stimulated to produce, when they find a ready market for them, that is, when they can readily exchange them for such other products as they wish to acquire. And hence it is obvious that the genuine and only effectual encouragement of industry consists, not, as was formerly supposed, in the increase of unproductive and wasteful expenditure, but in *the increase of production*. Every new commodity necessarily forms a new equivalent for, or a new means of purchasing some other commodity. It must be remembered, that the mere ex-

istence of a *demand*, how intense soever it may be, cannot of itself be a means of encouraging production. To become a real demander, a man must not only have the *will*, but he must also have the *power*, to purchase the commodity he wishes to possess ; or, in other words, he must be able to offer an equivalent for it. But there never has been, nor is it in the nature of things that there ever can be, any limits to our *wish* to possess the products of art and industry.—

*Nec Cræsi fortuna unquam, nec Persica Regna  
Sufficient animo !* —————

It is the *power* to give effect to our wishes, or to furnish other products in exchange for those we are desirous to obtain, that is the real and the only desideratum. The more, then, that this power is increased,—that is, the more industrious every individual becomes, his means of offering equivalents for the products of others will be so much the more increased, and the market rendered so much the more extensive. It is clear, therefore, that a glut cannot originate in a too great aggregate production, but that it is in every case a consequence of the wrong application of productive power—of the production of particular commodities which either do not suit the tastes of those with whom we wish to exchange them, or which we cannot ourselves consume. If we attend to these two grand requisites—if we produce such commodities only as can be taken off by those to whom we offer them for sale, or such as are directly available to our own use, we may increase the power of production ten or ten thousand times, and we shall be

quite as free of all excess as if we diminished them in the same proportion. Miscalculation, and the too great ardour of speculation, occasionally divert capital into channels in which it ought not to have flowed ; but, if Government do not interfere to relieve the parties concerned from the effects of their improvidence, a regard to their own interest will make them withdraw from the losing businesses in which they have engaged ; and will, sooner than any artificial remedy, correct the improper distribution of capital, and reproduce the natural equilibrium between the price and the cost of producing commodities. Unproductive expenditure is not, therefore, necessary to prevent the overloading of the market ; and to maintain that it contributes to increase national wealth in any other way, is really quite the same thing as to maintain, that wealth would be increased by throwing a portion of it into the sea or the fire !

While M. Say was thus successfully cultivating the science in France, it was every day rising in importance, and acquiring fresh converts in England. The extraordinary changes occasioned by the late war in every department of the public economy, deeply affecting, as they necessarily did, the interests of all classes, created the most anxious and universal attention. The experience of previous centuries was crowded into the short space of thirty years ; and new combinations of circumstances not only served as tests by which to try existing theories, but enabled even inferior writers to extend the boundaries of the science, and to become the discoverers of new truths. It is not

too much to say, that the discussions that grew out of the enactment of the restriction on cash payments by the Bank of England, and the consequent depreciation of the currency, have *perfected* the theory of money: and the discussions respecting the policy of restrictions on the corn trade, and the causes of the heavy fall of prices which took place subsequently to the late peace, by inciting some of the ablest men that this country has ever produced to investigate the laws regulating the price of raw produce, the rent of land, and the rate of profit, have elicited many important principles; and have given birth to a work which, though certainly inferior in interest to the "Wealth of Nations," rivals it in importance, and is perhaps superior in profoundness and originality.

The first considerable step towards the successful investigation of the laws which regulate the distribution of wealth among the various classes of society was made in 1815, when the real nature, origin, and causes of rents were, for the first time, explained in two pamphlets of extraordinary merit, published nearly at the same moment, by "A Fellow of University College, Oxford,"\* and Mr. Malthus.† But the investigations of these gentlemen, though of great importance, were comparatively limited in their object; and it was reserved for Mr. Ricardo to carry his researches into every department of the science, to correct errors sanc-

\* *Essay on the Application of Capital to Land*, by a Fellow of University College, Oxford. (Mr. West, a Barrister.)

† *An Inquiry into the Nature and Progress of Rent*, by the Rev. T. R. Malthus.

tioned by the highest authority, and to elucidate and establish many hitherto undiscovered, and most important principles. The appearance of his work on the "*Principles of Political Economy and Taxation*," in 1817, forms a new and memorable era in the history of the science. Exclusive of many admirable correlative discussions, Mr. Ricardo has there analyzed the principles which determine the exchangeable value of commodities, and has given a full view of the science of the distribution of wealth. The powers of mind displayed in these investigations—the dexterity with which the most abstruse and difficult questions are unravelled—the sagacity with which the operation of general and fixed principles is investigated—the skill with which they are separated and disentangled from such as are of a secondary and accidental nature—and the penetration with which their remotest consequences are perceived and estimated, have never been surpassed; and will for ever secure the name of Ricardo a high and conspicuous place in the list of those who have done most to unfold the complex mechanism of society, and to carry this science to perfection.

Mr. Ricardo was the first who perceived the error into which Dr. Smith had fallen, in supposing that the effects consequent upon an increase or diminution of the quantity of labour required to produce commodities, were the same with those consequent upon an increase of the wages or price paid for that labour. He showed, that inasmuch as variations in the rate of profit, or in the rate of wages, affect all descriptions of non-monopolised

commodities, to the same, or nearly the same extent, they would either have no effect on their value in exchange, or if they had any it would depend on the degree in which the variations in question occasionally affect some more than others: And, as Mr. West and Mr. Malthus had shown that rent does not enter into the price of raw produce, nor consequently into that of any commodity, it necessarily follows that the value of all freely produced commodities entirely depends, in highly cultivated and refined societies, as well as in those that are rudest and poorest, on the quantities of labour required to produce them and bring them to market.

This fundamental principle being established, it is plain, since the employers of labour are not indemnified for a rise of wages, by an increase in the value or price of commodities, that the *proportion* or total share of the produce of industry that would otherwise belong to them must be diminished in its aggregate amount to the same extent to which wages are reduced. It is not true, however, as Mr. Ricardo has stated, that the *rate of profit* is necessarily reduced in the same proportion in which wages are increased. For by profit is meant the surplus produce, or the value of the surplus produce, accruing to an individual who has capital employed in an industrious undertaking after the capital, or such part of it as has been wasted in the undertaking, has been replaced; and the *rate of profit* is always estimated in aliquot parts of the capital employed, and is in fact merely the expression of the proportion which the whole

profit bears to the whole capital. And hence, it is clear that whenever the productiveness of industry is increased, the quantity of produce assigned to the labourer, as his wages, may also be increased without any diminution taking place in the quantity remaining to his employer, or in the *rate of profit*.

Having shown the very great influence which variations in the rate of wages exercise on the rate of profit, Mr. Ricardo applied himself to discover the circumstances which determine wages. These he found to depend principally on the cost of producing the articles required for the consumption of the labourer. However high the price of such articles may rise, the labourer, it is plain, must always receive such a supply of them as is sufficient to enable him to exist, and continue his race. And, as raw produce must ever form a principal part of the subsistence of the labourer, and as its price has a constant tendency to rise, because of the constantly increasing sterility of the soils to which recourse must be had in advancing societies,\*

\* The rise in the price of raw produce, occasioned by the decreasing fertility of the soils to which every advancing society must resort, was, I believe, first distinctly shown in a work, in which there are many just and ingenious, intermixed with many fanciful and erroneous views, entitled, *Principes de tout Gouvernement*, in two volumes 12mo, published in 1766. The author has, on one occasion, hit upon the real origin of rent—"Quand les cultivateurs, devenus combreux," says he, "auront défriché toutes les bonnes terres; par leur augmentation successive, et par la continuité du défrichement, il se trouvera un point où il sera plus avantageux à un nouveau colon de prendre à ferme des terres fécondes, que d'en défricher de nouvelles beaucoup moins bonnes."—(Tome i. p. 126.) It is plain, however, from his not reverting to the subject, that he was not at all aware of

it follows that while the quantity of the produce of industry to be divided between capitalists and labourers has a natural tendency to diminish, the proportion of that produce falling to the share of the labourer, has a natural tendency to increase: So that the rate of profits must be diminished, as well by a diminution in the absolute quantity of produce obtained by the exertion of a given amount of labour, as by an increase in the share of that produce that must go to the labourers. That such a fall of profits invariably takes place in the progress of society, is a fact of which there neither is nor can be any doubt. It had, however, been universally supposed that this fall was a consequence of the increase of capital, or rather of the increased competition of its possessors, or of their efforts to undersell each other. But Mr. Ricardo has shown the fallacy of this opinion: And it has since been sufficiently established that all permanent reductions in the rate of profit are a consequence either (1) of an increase in the rate of wages, or (2) of a diminution in the productiveness of industry, caused by the greater difficulty of raising raw produce on the poorer soils successively brought under cultivation as population is augmented, or (3) of an increase of such taxes or public burdens as affect those engaged in industrious undertakings.

In establishing his peculiar doctrines Mr. Ricardo has not only made a very great addition to the mass of useful and universally interesting

the importance of the principle he had stated; and it is apparent, indeed, from other passages of the work, that he supposed rent entered into price.

truths ; but has exhibited some of the finest examples to be met with of discriminating analysis and profound and refined discussion. His doctrines are not, as has sometimes been stated, merely speculative. On the contrary, they enter deeply into almost all the investigations of the science. That part of Mr. Ricardo's work, in which he applies his principles to discover the real incidence and effect of taxes on rent, profit, wages, and raw produce, is altogether practical ; and must always be a subject of careful study to those who wish to render themselves thoroughly acquainted with this great department of economical science.









